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Director: Linda S. Luebbering

The Missouri Budget - Fiscal Year 2004

Governor's Letter of Budget Transmittal

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January 15, 2003

TO THE GENERAL ASSEMBLY AND THE PEOPLE OF MISSOURI:

For the past two years, state governments across the country have been fighting for their financial lives. When I took office in January 2001, I was immediately faced with a budget shortfall. I took quick and decisive action to reduce state spending to ensure the state's budget remained in balance. The national recession, which was worsened by the terrorist attack on our nation, has continued to sap resources from the state's budget. Although forecasters predicted a slowly improving economy, corporate accounting scandals and the potential for war have weakened the confidence of consumers and placed a further drag on the economy.

Because of the stagnant economy, it was necessary to cut almost \$900 million out of the budget during my first two years in office. These were deep cuts, but they were focused as much as possible on reducing administrative costs and providing services in the most efficient manner possible. However, some difficult cuts have been made, including loss of health care coverage for some low-income adults, a reduction in funding for higher education, and layoffs of state employees.

The Fiscal Year 2004 budget brings a one billion dollar shortfall and the greatest challenge to Missouri government since World War II. That is why I traveled around the state to host Fair Share Budget Summits with citizens from all walks of life and to listen to their suggestions for fixing the shortfall, while ensuring the best future for all Missourians.

Based on input from Missourians, my plan includes a comprehensive approach to ensuring a Fair Share Budget. First, it focuses on fiscal responsibility through a detailed core review that has resulted in \$1.1 billion in core cuts over three years. Second, my Managing for Results Initiative will continue to find ways to provide services more efficiently. Third, I will call on the General Assembly to pass legislation requiring all new programs to contain a sunset and not be renewed unless results have been achieved.

Finally, my plan calls for closing tax loopholes and providing targeted new sources of revenue to maintain education funding and help pay the cost of health care for low-income seniors, the disabled, and children. Missouri can no longer afford to give money away to corporations through special tax loopholes. Average citizens must be assured that everyone is paying their fair share to support vital state services.

The Fiscal Year 2004 shortfall brings both challenges and opportunities. It creates challenges to balance the budget without cutting too deeply. It also brings opportunities to ensure the budget is focused on results. My plan will keep the budget in balance, protect funding for education and other vital programs, and provide a Fair Share Budget that will help our state create the jobs necessary to ensure a brighter future.

Sincerely,

Bob Holden
Governor of Missouri

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THE MISSOURI BUDGET

FY 2004 BUDGET SUMMARY

STATES FIGHTING FOR THEIR FINANCIAL LIVES

For the past two years state governments across the country have been fighting for their financial lives. After collectively fighting off budget deficits of over \$50 billion when enacting their Fiscal Year 2003 budgets, the slumping economy and fast growing health care expenditures have created more than \$50 billion in additional deficits in the current year. In addition, states face new deficits estimated at between \$60 and \$85 billion for Fiscal Year 2004.

The fiscal crisis facing Missouri is similar to that facing the other states.

- In Fiscal Year 2002, Missouri experienced the first decline in net general revenue collections since 1955, ending with 3.5 percent less in net general revenue collections than the year before.
- The revised revenue estimate for Fiscal Year 2003 projects that the state will collect \$195.8 million less net general revenue than in Fiscal Year 2002 – the second year in a row of declining collections.
- Well-intentioned federal tax cuts enacted in 2001 and 2002 designed to stimulate the economy will reduce state revenues by an estimated \$146.6 million in Fiscal Year 2004 and by almost \$300 million when the tax cuts are fully implemented. In addition, the President and the U.S. Congress may speed up the effect of the previously approved federal tax cuts that will further reduce Missouri revenues.
- The economy officially went into recession in March 2001 and this recession has yet

to be declared over. In addition, even when the recession ends the economy is expected to grow slowly in the next year, particularly with the threat of war and higher oil prices.

- Individual income tax withholding has been weakening as unemployment increases and as workers work hours are reduced.
- Corporate income and corporate franchise taxes combined will decline again in Fiscal Year 2003.
- The stock market's performance during calendar year 2002 will likely result in a substantial additional decrease in taxes on capital gains on state tax returns filed in April 2003 even when compared to the dramatic decrease seen in April 2002.
- Given the current economic outlook, the revenue estimate for Fiscal Year 2004 projects less net general revenue than collected in Fiscal Year 2002.
- General revenue has essentially been stagnant since Fiscal Year 1999 – a five-year period during which costs of health care and corrections increased significantly.

The slumping economy, federal tax cuts that sap state revenue, and rapidly increasing health care costs have required decisive action each year to balance the budget. While the federal government is allowed to run a deficit, Missouri state government must balance its budget each year. Like Missouri families, our state government must live within its means.

Governor Holden has implemented \$893 million in mid-year budget cuts over three fiscal years:

THE MISSOURI BUDGET

- Withheld \$76 million in Fiscal Year 2001.
- Withheld \$749.5 million in Fiscal Year 2002.
- Withheld \$67.1 million so far in Fiscal Year 2003. As a result of the withholdings a total of 870 jobs will be eliminated for the remainder of the year, including 96 layoffs and 774 positions that will remain unfilled.

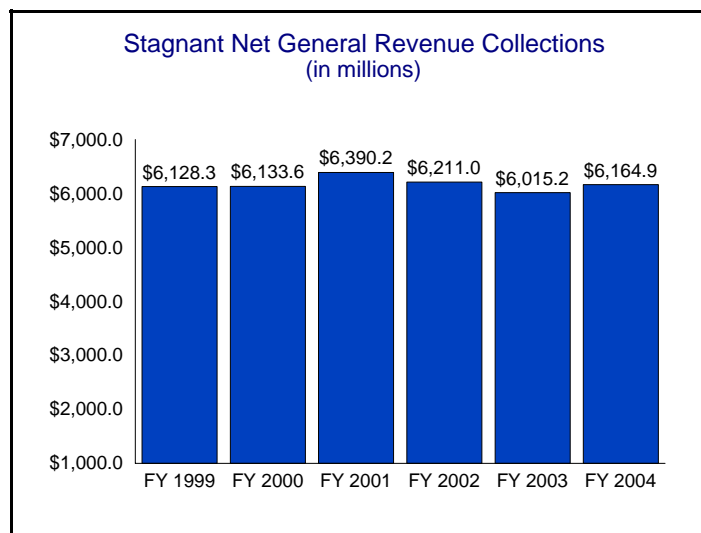
Under Governor Holden, the state has implemented the largest permanent budget cuts and most extensive redirection of spending priorities to ever take place:

- \$895 million in general revenue core budget cuts in Fiscal Year 2002 and Fiscal Year 2003.
- Over 1,000 jobs had been eliminated prior to those withheld in January 2003.

Missouri's actions and the Governor's values can be put into perspective by seeing how other states are responding to severe economic times. First, in Fiscal Year 2003 when 17 other states cut funding for local schools the Governor fought hard to obtain a \$134.9 million increase for the Foundation Formula. So far, both our local schools and colleges and universities have been spared withholdings in Fiscal Year 2003. Second, Missouri's most vulnerable citizens – children and the elderly – have been protected to the greatest extent possible. Third, public safety and corrections, which are essential to protecting our citizens from crime, have been preserved. Missourians can see the effect of the Governor's priorities in the services they receive. Administrative cuts have been deep. K-12 education has been protected.

The Fiscal Year 2004 budget presents the most difficult challenge to face a Governor and the General Assembly since the Depression. The chart below reveals the depth of the state's current financial difficulties:

- Fiscal Year 2003 net general revenue collections are now estimated to be \$6,015.2 million, a total of \$290.5 million below the \$6,305.7 million on which the budget is based.
- Fiscal Year 2003 net general revenue collections are now estimated to be \$195.8 million below those actually received in Fiscal Year 2002, a 3.2 percent decline – the second year of declining revenues.
- Fiscal Year 2003 revenue includes \$436 million in non-recurring revenue that will be unavailable in Fiscal Year 2004.
- Fiscal Year 2004 net general revenue collections will increase by \$149.7 million over the projected final Fiscal Year 2003 estimate, an anemic 2.5 percent growth and much less than needed to replace the non-recurring revenue.
- Fiscal Year 2004 net general revenue collections will be \$140.8 million below the amount needed to support the budget approved for Fiscal Year 2003.



PROTECTING OURSELVES FROM FEDERAL FINANCIAL ACTIONS

The national financial policies already implemented and currently proposed are counterproductive.

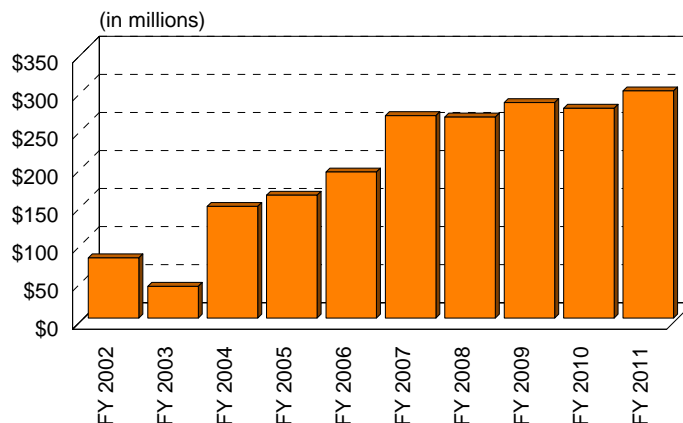
- Well-intentioned federal tax cuts enacted in 2001 and 2002 designed to stimulate the economy will substantially reduce Missouri revenues during Fiscal Year 2003 and future years.
- It is impossible for the states to grow themselves out of their fiscal crises if the federal government continues to give away the state revenue base. Indeed, the current proposals being discussed to move up the effective dates of the previous federal tax cuts will further reduce Missouri's revenues.
- Forcing Missouri and the other states to continue to enact dramatic cuts in services or raise taxes dissipates, if not completely eliminates, any stimulative effect of the federal tax cuts.
- The National Governor's Association has proposed a \$12 billion initiative to provide assistance to the states to help them deal with the dramatic cost increases in the Medicaid program. States have already been forced to implement tough cost-containment measures to slow the growth

in their Medicaid expenditures including cutting people from eligibility, eliminating optional programs, and reducing payments to hospitals, doctors, and other providers.

- Instead of shared sacrifice to prepare for and win the war on terrorism and the possible war with Iraq, we are told that we can increase spending and have tax cuts, thereby dramatically increasing the federal deficit. Those policies have never worked in our nation's history and are unlikely to work now.

The Governor recommends legislation that will require the General Assembly to approve any changes in the federal tax statutes before they can affect Missouri tax revenues. The Governor's recommendation applies to all changes including both increases and decreases. Currently, the Missouri tax code is tied tightly to the federal tax code. Thus, the President and U.S. Congress can change Missouri state tax policy without fear that they will be held accountable for the damage that those changes inflict. The Missouri General Assembly should be given the opportunity to weigh every federal change to ensure that Missouri's 197 elected representatives determine that the changes are in the best interests of the state and its citizens.

Loss to Missouri Revenue from Federal Tax Cuts



CORE BUDGET REVIEW

The Governor has been discussing the expected budget shortfalls for several months. He convened a Budget Summit with the members of the General Assembly back in September 2002. Since then, he has traveled throughout the state to Fair Share Budget hearings to make sure Missourians know tough actions are being taken and what is at stake for them for the future. The Governor believes:

- Taxpayers must be assured the budget is managed in a fiscally responsible way and administrative costs are minimized so important services can be funded. We have already cut almost \$900 million general revenue in the Governor's first two budgets and eliminated about 1,000 positions. This allowed the budget to be balanced and made available money to fund high priorities, such as: the school foundation formula; health care coverage for low-income children, the elderly and the disabled; and prescription drug coverage for low-income seniors.
- Missourians must be assured that every penny of tax they pay is spent efficiently, effectively, and is focused on achieving the highest priority results.
- Citizens must be assured that all taxpayers are paying their fair share to support vital state sources; examining tax loopholes is the first step.

Missouri has been doing performance-based budgeting since the 1970s. Indeed, Missouri has been nationally recognized for both its efforts in performance measurement and in strategic planning. Missouri has used performance information to help the state cut millions of dollars from the budget. Performance budgeting is infused in the entire budget process used by the Governor and the General Assembly. Performance information is available on every budget decision item narrative in every department budget. Performance information is also readily available through the internet at the website for the Managing for Results Initiative (www.mri.state.mo.us). Governor Holden's Managing for Results Initiative (MRI) is a long-term commitment to doing business more efficiently and effectively by focusing on customer satisfaction, process improvement, and problem solving.

The state does not need increased statutory strings requiring a mind-numbing review of the effectiveness of every purchase of paper clips. The supposed justification for these approaches is the belief that the "core" budgets are never reviewed. Nothing could be further from the truth. Governor Holden has proven, with almost \$900 million in core cuts already, that aggressive, targeted, and thoughtful core cuts can be implemented to dramatically improve administrative efficiency while at the same time protecting local schools and the state's most vulnerable citizens. The Governor has done all of this while still maintaining the state's AAA bond rating which recognizes Missouri as one of the best-managed states in the nation. The Governor does not need new authority to review the core budget or to improve administrative efficiency. He and his administration think about it and do it every day, every month, and every fiscal year with substantial recommendations to change the way state government operates.

For Fiscal Year 2004 the Governor demanded that agencies submit spending plans with zero growth. A thorough three-month performance-based review of existing programs was completed. Agencies were then asked to submit any new items for funding that they believed were mandatory increases for the Fiscal Year 2004 budget. These requests were thoroughly evaluated and agencies were ordered to withdraw non-mandatory items. This process was more rigorous than the Georgia model for budgeting that is often mentioned as the answer to Missouri's budget woes. And it was accomplished within the current statutory framework.

This intensive review of existing programs will result in reform of government operations while maintaining required services as described below.

- Core cuts and cost containment - \$256.7 million – This includes \$159.2 million in core budget cuts, bringing the Governor's three year core cut total to \$1.054 billion. Governor Holden demands that state departments continue to provide quality service by working smarter and more efficiently. Aggressive cost containment initiatives in the Medicaid program are recommended resulting in \$88 million in slower growth in addition to \$51 million in Medicaid core cuts included above. These initiatives include expanding pharmacy

controls, requiring copays on many services and prescriptions, implementing a more efficient non-emergency transportation system, prior authorizing optional services, and reducing pharmacy reimbursement to a level more consistent with private health care systems. The Department of Corrections cut its budget request from \$70.3 million to \$60.6 million through cost containment efforts and increased flexibility in how a portion of the department's funds may be spent. By allowing flexibility, the department can operate more efficiently, saving taxpayer dollars.

- Early retirement – State government needs to get smaller. Providing an early retirement incentive during a “window” period is a time honored and effective practice of corporations seeking to reduce their workforce and the associated salary and benefit costs. The goals of an early retirement incentive are to decrease the number of state employees, reduce the personnel costs of the state, and reorganize the state workforce. A number of states adopted early retirement incentives last year as a means of dealing with their fiscal problems and more will likely follow this year. Within Missouri, the Department of Conservation and the University of Missouri have implemented successful early retirement incentives twice during recent years.

- ⇒ Current pension benefits are not sufficient to entice very many state workers to retire when they are first eligible - only about 25 percent of eligible state employees take advantage of the state's “80 and out” retirement provision. The major reason that so few state workers retire at the earliest opportunity is the dramatic increase in health care costs that they must pay when they become retirees. State government salaries are substantially lower than private sector salaries so most workers cannot afford the dramatic increase in health care premiums.
- ⇒ The Governor's proposed plan would provide four years of additional service as an incentive to retire. However, the plan recognizes that simply offering to add years of

service credit is unlikely to sufficiently entice state workers to retire and save the state money. Accordingly, the plan also recommends that the state treat the retirees who take this option like active employees for health care premium purposes. From the time they retire until they are eligible for Medicare those that retire under the Governor's plan will pay the same amount of health care coverage as active state employees. This should be a powerful incentive. Employees will be given a 90-day window to decide whether they will retire under this temporary provision.

- ⇒ The early retirement incentive is anticipated to save the state \$24 million. These savings are achievable only because the state is expected to refill no more than 25 percent of the positions of those who leave and the average salaries for those who do fill these positions should be lower than the salaries of those who retired. The Office of Administration will be given the responsibility to work with the agencies and decide which positions will be refilled. The savings from the plan will be core cut from each agency in the Fiscal Year 2005 budget to ensure that the state gets permanent savings from the plan.

- Reorganizations – It has been almost 30 years since the last comprehensive reorganization of state government. Since that time numerous programs and entities have been added to state government, resulting in duplication and overlap of many state services. In addition to core reductions we must make our government the most streamlined and efficient as possible, by organizing around agencies' primary missions. Restructuring key services will improve the way we deliver services to the taxpayers of Missouri. Governor Holden's proposal to restructure state government will achieve \$4.9 million in savings in Fiscal Year 2004 and eliminate 169 state staff. To improve departmental operations in the interest of economy, efficiency, and better service Governor Holden will file reorganization

plans with the General Assembly to improve the operation of the state's executive branch by:

- ⇒ Creating a Children's Division to focus on children in state custody and those at risk of abuse or neglect.
 - ⇒ Consolidating Workforce Development functions into the Department of Economic Development.
 - ⇒ Eliminating the Division of Highway Safety and transferring its functions to the Department of Transportation.
 - ⇒ Eliminating the Division of Child Support Enforcement and transferring its receipt and payment processing functions to the Department of Revenue and the support order establishment function to the Family Support Division.
- Statewide administrative actions to reduce spending – The Governor is implementing the following actions:
 - ⇒ Sell three state aircraft – The state will sell three state aircraft including the jet and purchase a single turboprop airplane to cut excess capacity. The sale will generate about \$1 million in revenue for the state.
 - ⇒ Reduce state owned vehicles – The Governor has mandated at least a ten percent reduction in the state vehicle fleet. The state will prohibit the use of state vehicles for any employee's commute to and from work. The state will eliminate vehicles assigned to individual state employees and place a moratorium on the purchase of new vehicles except on critical replacements. Vehicles used to ensure the safety of Missouri citizens, such as the Highway Patrol, will be excluded from these reductions.
 - ⇒ Reduce printing and mailing costs – By law, state agencies are required to produce hundreds of reports and publications. The state will make more of these publications available over the Internet, thus saving on paper, printing, and storage costs. The state will also work to dramatically expand the use of e-mail to reduce mailing costs.
 - ⇒ Consolidate office space – The state is redoubling its efforts to eliminate leased offices or consolidate small offices into larger leased facilities throughout the state.
 - ⇒ Eliminate warehouse space – The Office of Administration has been ordered to eliminate excess warehouse space throughout state government and coordinate the sharing of space to improve efficiency and save money.
- Commission on Efficiency and Fiscal Management - Even though the Governor has spent the past two years improving efficiency and reducing spending throughout state government, he has welcomed additional ideas and recommendations from the private sector. To gather additional ideas, the Governor will create the Missouri Commission on Efficiency and Fiscal Management by an executive order. The Commission will immediately undertake a complete, comprehensive, and thorough examination of all aspects of the State's cash management practices, debt management practices, budgetary process, personnel practices, and other areas relevant to sound business and financial practices. The Commission will provide recommendations to the Governor, General Assembly, and the citizens of Missouri on any additional ways to make the government of Missouri more efficient, effective, fiscally sound, and productive in cash and fiscal management and business and finance in general.
 - Automatic Sunset Date for New Programs – The Governor recommends that every new program enacted in state statute include an automatic date that it will end, or "sunset", if not renewed by the General Assembly. This process has already been used for some selected state programs in the past ten years. However, the Governor's proposal would:
 - ⇒ Require a review of every new program that will result in a recommendation to reauthorize, modify, or eliminate the program based on its performance.
 - ⇒ Establish program reviews by the staff of the Joint Committee on Legislative Research – a process that is already available.
 - ⇒ Eliminate or modify programs that are not successful.
 - ⇒ Trigger reauthorization legislation on programs that are found to be

meeting performance results and providing benefits that outweigh the costs of the program.

- Managing for Results Initiative – Governor Holden’s Managing for Results Initiative (MRI) is a long-term commitment to doing business more efficiently and effectively by focusing on customer satisfaction, process improvement, and problem solving. Agency projects have saved millions of dollars and countless hours for Missouri citizens and state employees. Descriptions of these projects can be found at the MRI website (www.mri.state.mo.us). Some select MRI projects that have already made significant progress include:

- ⇒ Workers’ Compensation Team – Changes are being implemented to get injured workers back to productive work more quickly. It is anticipated that these changes will result in a \$1.5 million reduction in workers’ compensation costs to the state and an additional 40,000 days of productivity from employees being back at work.
- ⇒ Child Support Enforcement Team – Changes are being implemented that will increase the amount of money paid to custodial parents to help support their children. So far, undistributed collections have been reduced by 50 percent.
- ⇒ Department of Transportation Team – Recommendations are being put in place to reduce the number of projects where actual costs exceed the original projection. These changes should reduce these cost overruns from the current 72 percent of projects down to 15 percent, saving millions of state highway dollars.
- ⇒ Water Quality Permits Team – Improvements are being implemented to reduce the time it takes to issue water quality permits by the Department of Natural

Resources. These changes will reduce the time it takes to receive state permits by two months, freeing staff to spend more time inspecting sites to ensure the quality of Missouri’s water meets state and federal standards.

MORE EFFICIENT COLLECTIONS AND TAX EXPENDITURES

Increase collections already owed

The first way to assure Missourians that they are paying their fair share in taxes is to show them that the state is working hard to collect taxes that are already owed. The Governor’s plan includes:

- Aggressive administrative efforts by the Department of Revenue - \$18.9 million – Missourians were given an opportunity to come into compliance with the state’s tax code in the just completed and successful tax amnesty. However, now that amnesty is completed the state will hire additional specially trained auditors, criminal investigators, and other staff to ensure that all Missourians pay their fair share of taxes. In addition, the state will enter into a contingency fee contract to upgrade the department’s collection system using a benefit-based agreement. The vendor will only be paid provided the system enhancements generate new revenue in excess of an agreed upon baseline.
- Require electronic filing of some taxes - \$2.2 million – The proposal would allow the director of revenue to require electronic filing of monthly and quarter-monthly withholding returns, corporate estimated tax payments, and quarter-monthly sales tax payments. This will ensure quicker deposit of funds into the state treasury.

Reduce Spending on Tax Loopholes

The Governor has been saying for months that Missourians want and demand a Fair Share Budget. We must stop giving away money through special tax loopholes that benefit few

corporations and place a significant percentage of Missouri businesses at an economic disadvantage. We must also eliminate tax loopholes that do not expand the economy. The loopholes that should be closed will save \$185.6 million and include:

- Geoffrey loophole - \$15 million – National franchises set up dummy corporations in other states to avoid a large portion of Missouri taxes. Illinois and 25 other states have provisions to close this loophole. Missouri must pass such a provision as well.
- Refunds to purchasers - \$10 million - Currently, a business that applies for and receives a sales tax refund for taxes they have inappropriately collected from customers is not required to even attempt to find and return the overpayment to the purchaser. A cottage industry of consultants has developed to mine businesses for such sales tax refunds. As a result, sales tax refunds have increased from \$15.4 million in Fiscal Year 1996 to \$65.0 million projected in Fiscal Year 2004. State Auditor Claire McCaskill has identified this abuse as a loophole in our current sales tax law.
- Yacht loophole - \$4.2 million – Buyers of boats over five tons are allowed to pay a watercraft tax instead of Missouri sales tax. This limits the maximum amount of the tax on a \$300,000 boat to about one percent of the cost of the boat compared to the six percent sales tax that a purchaser of a smaller boat must pay.
- Disallow non-Missouri source income - \$31 million – Missouri may be the only state that allows corporations to avoid paying state taxes on income from out-of-state investments such as bank deposits, stocks, and some loans. This loophole encourages out-of-state investments and applies only to corporations and not individual taxpayers.
- Disallow single factor - \$77.2 million – Most corporations earn their income through business activities in a number of different states. However, Missouri's tax code gives corporations an enormous advantage not given by other states by giving them the opportunity to choose the method of determining what portion of the corporation's income is taxed by Missouri. Single factor apportionment is extremely generous to taxpayers who make most of their sales to out-of-state customers but rely heavily on Missouri infrastructure because they have facilities and employees here. Giving money away through this loophole only benefits about four percent of corporations that file income taxes in Missouri.
- Common carriers - \$9.8 million – Years ago the legislature enacted sales tax exemptions for purchase of trucks, parts, and repairs for "common carriers." When these exemptions were passed, every common carrier was required to register with the federal Interstate Commerce Commission allowing only true common carriers, i.e., trucking companies for hire by the general public, to qualify. Today, anyone can register as a common carrier by paying a relatively modest fee and such registration is no longer required in most cases. As a result, we have seen a substantial number of companies form trucking subsidiaries that carry essentially only the goods of the parent, but call the subsidiary a common carrier in order to claim these exemptions.
- Franchise tax dissolution - \$1.0 million – Allows the Secretary of State to dissolve a corporation for not filing a franchise tax return.
- Professional licensing - \$10 million – This proposal requires individuals to receive a tax clearance to ensure that state owed taxes are paid before an individual can obtain or renew a professional license, local business permit, or license, or be considered an eligible vendor to contract with the state.
- Gambling winnings - \$7 million - Currently, there is no Missouri law explicitly requiring a nonresident individual to be taxed on winnings from a multi-jurisdiction lottery (including power ball), lotto, riverboat gaming. Residents must pay taxes on their winnings. However, nonresidents can engage in multi-jurisdiction lottery, lotto, and riverboat gaming and collect their

winnings without a legal obligation to file a Missouri individual income tax return and pay Missouri income tax on all their winnings.

- Railroad retirement double deduction - \$2 million - Currently, a taxpayer receiving railroad retirement benefits is not taxed on those benefits at the state level and also may deduct up to \$6,000 from their Missouri taxable income. In effect, this proposal would eliminate the double dipping.
- Eliminate timely filing discount for withholding tax - \$18.4 million - Missouri businesses receive a discount for sending the income withholding taxes they collect from employees to the state. In other words, businesses keep a substantial amount of these taxes that employees believe they are paying to government for the services they receive. The state of Missouri is the only state that provides this discount, which has been in effect since 1973 and was originally justified on the basis that businesses needed lots of clerks pushing paper to figure out how much withholding should be remitted to the state. However, in the Internet age, computers calculate the amounts and the money can be transmitted to the state in seconds. The discount no longer recognizes the cost of this task and should be eliminated.

MORE REVENUE NEEDED

Only when Missourians are assured that we have cut spending, are vigorously working to collect all that the state is owed, and reduced spending on loopholes can we ask for a revenue increase. The point has been reached that without a significant infusion of new revenue the state will fail in its basic obligations to our citizens. We will be unable to protect, or may be forced to reduce, the Foundation Formula payments to local schools. Major budget cuts would be required in higher education, thus substantially increasing tuition for students and their families. Thousands of the elderly, the poor, and the disabled would have their medical and mental health services eliminated. The revenue package proposed by the Governor does not include a general tax increase on Missourians. The Governor's plan taxes voluntary behavior such as gambling and cigarette usage, places a surcharge on wealthy

Missourians, and reduces federal control of our budget. At the same time, the Governor also recommends decreasing taxes to spur economic activity in the state. The Governor's plan includes:

- Gaming - \$193 million – The Governor's plan to ensure that the Foundation Formula is protected from crippling budget cuts includes new revenue initiatives from riverboat gaming. These initiatives include:
 - ⇒ 2% increase in tax on riverboat gaming receipts - \$30 million. The current adjusted gross receipts tax is 20 percent which is shared by the state (18 percent) and the local governments where the riverboats are docked (2 percent). The Governor's proposal raises the state share to 20 percent and leaves the local share at 2 percent.
 - ⇒ \$2 increase in riverboat gaming admission fee - \$106.3 million. The current \$2 admission fee will be increased by \$2 under the Governor's proposal.
 - ⇒ Eliminate loss limits on riverboat gaming - \$56.7 million. Missouri is the only state in the nation with a loss limit on riverboat gaming. The limit prevents Missourians and visitors from participating in gaming to the fullest extent and puts the state's casinos at a competitive disadvantage while not providing an effective deterrent for problem gamblers.
- Cigarette tax - \$278.5 million – Tobacco use in Missouri is one of the highest in the nation; 27 percent of adults smoke. Even more alarming are recent studies that indicate one-third of Missouri teenagers are smoking. As a result, Missouri ranks well above average in smoking-related diseases such as heart disease, cancer, and emphysema. Funding will be used for health care costs that are a rapidly growing expenditure for Missouri and all other states.
- Surcharge on income taxpayers with taxable income greater than \$200,000 - \$11.9 million – The proposal would increase the individual income tax on taxpayers with taxable incomes greater than \$200,000 by five percent. Currently, an individual with taxable Missouri income

of \$200,000 owes the state about \$12,000 in taxes. The proposal would increase his or her taxes by \$600.

- Accelerated depreciation - \$66.0 million – The proposal makes permanent the moratorium included in SB 1248 (2002) passed by the General Assembly. Federal accelerated depreciation would not be allowed to reduce Missouri taxes. Accelerated depreciation would still be allowed on federal returns.

Tax Cuts for Missouri Businesses and Consumers

The tax cuts proposed by the Governor include:

- Reduction in the corporate tax rate by one percentage point from 6.25% to 5.25% - The vast majority of corporations that pay Missouri taxes are severely penalized by other companies that bleed the state of money by using tax loopholes. By eliminating loopholes, we should reinvest some of the savings by reducing the corporate tax on all Missouri businesses. The reduction will help provide an economic incentive to Missouri businesses and spur economic activity, especially among small business where the greatest job growth takes place. The estimated revenue loss is \$28 million.
- Sales tax holiday – The Governor recommends legislation to allow a sales tax holiday every August to help citizens with back-to-school purchases. An effective sales tax holiday will help Missouri consumers. It should also bring in shoppers from the eight contiguous states to make purchases and spur our economy. This will help Missouri merchants. The estimated revenue loss is \$5 million, including holding local governments harmless from this state action.

Under the state constitution Missouri voters must approve any major increase in revenues. The General Assembly can raise some level of revenues without a vote but due to ambiguous language in the constitution this limit is widely subject to debate and possible litigation much like the state's revenue and spending limit. It is essential that the General Assembly send a major revenue increase to the voters. The Governor recommends that the vote be taken on Tuesday, July 1, 2003 at a special election.

That date is the first day of the state's fiscal year.

TOBACCO SECURITIZATION

Last year the Governor recommended that the General Assembly pass legislation that would allow the state to sell a portion of the tobacco settlement proceeds in a process called "securitization." The General Assembly passed SB 1191 (2002) to give the state this option for up to 30 percent of the tobacco settlement proceeds. Tobacco securitizations have been completed by other states and are somewhat similar to revenue bond borrowing.

The goals of the securitization are to obtain upfront revenues from the tobacco settlement revenue stream and thereby get greater financial flexibility. During the past seven months the state has been working with a team of financial advisors to put forth a plan that maximizes revenues in the most fiscally prudent manner. All of the work that has been completed by the financial team shows the plan being used in the marketplace by other states for securitization is not the most beneficial one for Missouri. Under the traditional securitization structure the state would be forced to pay more interest than in a revenue bond borrowing. The high cost of this additional interest is supposedly needed to provide for the risk that is being transferred to bond holders. However, in the structure of the traditional tobacco securitization deal the bond rating agencies and the marketplace require the state to establish various bond reserves and pledges of revenues to protect the bondholders from the risk that the state is trying to transfer. In effect, the traditional tobacco securitization places a high cost upon the state with very little real risk transfer.

The state's financial team has recommended to the Tobacco Securitization Finance Authority that the state implement a hybrid tobacco securitization. The state's Board of Public Buildings would securitize the revenue from the tobacco settlement. An appropriation would be provided to pledge payment on the bonds in the event that the tobacco settlement revenue stream was disrupted or eliminated. The interest rates paid by the state on the bonds should be greatly reduced and thus we would not be penalized for attempting to transfer risk that the marketplace will not let us transfer.

The Governor recommends that the state proceed with the plan developed by the financial team. The Governor recommends a separate Fiscal Year 2003 supplemental appropriations bill be created. Quick action on the appropriations bill and the plan will provide a one-time means of assisting the state to balance the budget. Without these funds, additional withholdings or budget cuts will be necessary and protecting education will be more difficult.

FISCAL YEAR 2004 SUMMARY OF GENERAL REVENUE RECOMMENDATIONS

The general revenue fund provides for the services that Missourians think about when they think of state government. Funding from general revenue goes to local schools and higher education institutions. General revenue is also used to keep criminals locked up in our prisons and wayward juveniles in our youth services facilities. It is also used to operate our psychiatric institutions and facilities for the developmentally disabled. Indeed, over half of the general revenue staff in the budget are in institutions that operate 24 hours a day seven days a week.

The state receives federal funds but they can only be used for specific purposes authorized by the President and the U.S. Congress. In addition, the state has a variety of special, dedicated funds that the Missouri Constitution or the voters have directed be used only for specific purposes – the best examples being highway funds, lottery, and gaming. Neither the federal or other dedicated funds can be used for general government purposes.

The general revenue fund pays for the things that Missourians value the most. That is why when general revenue is in short supply the budget cuts that are required are the most painful. In Fiscal Year 2004 the net general revenue that is available to spend on services for Missourians will amount to only \$6.16 billion without any additional revenue.

The Fiscal Year 2004 general revenue budget balances resources and obligations based on the revenue and refund estimate. The Governor directed the most thorough review of core budgets in the history of Missouri state government. This review identified \$152.9 million in general revenue core budget reductions and redirections.

Fiscal Year 2004 base operating appropriations after core cuts are \$6,063.0 million. New operating budget appropriations of \$424.2 million are recommended to continue high priority existing programs, cover increasing Medicaid caseloads and costs, address security needs, respond to the expected growth in prison inmate population, provide for increased state employee health care costs, and implement new legislation.

This brings the total general revenue operating budget to \$6,487.2 million, exclusive of court-ordered desegregation spending, tax refunds, and revenues dedicated to the Outstanding Schools Trust Fund.

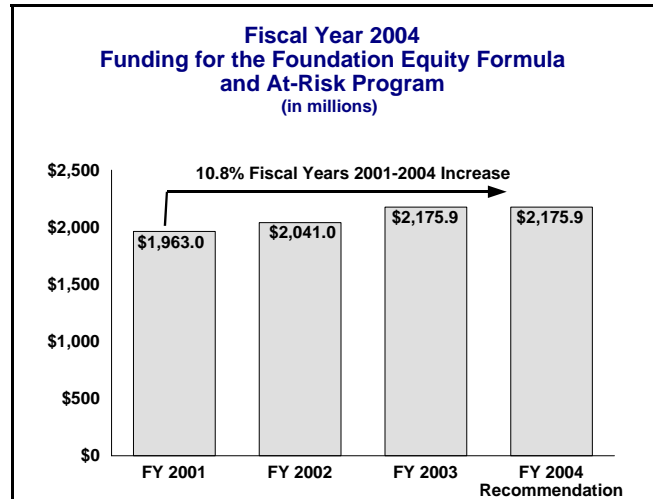
The Fiscal Year 2004 cost for the desegregation settlement is \$16.5 million.

A total of \$40 million has also been set aside for supplemental appropriations and increases in estimated appropriations.

MISSOURI'S FOUNDATION FORMULA FOR LOCAL SCHOOLS

Governor Holden's number one priority is the Foundation Formula – the primary assistance program for Missouri's 524 public school districts. In Fiscal Year 2003 when 17 other states cut funding for local schools the Governor fought hard to obtain a \$134.9 million increase for the Foundation Formula. For Fiscal Year 2004 the Governor recommends that the Foundation Formula be protected from the budget reductions being implemented on other state agencies. Maintaining funding at the same level as Fiscal Year 2003 in these difficult economic times will help public school districts provide vital services. We are making measurable and important progress in improving student test scores, dropout rates, and learning and we must not begin to slide backward. The Foundation Formula provides funds to:

- Improve student academic achievement.
- Retain and attract qualified teachers.
- Provide professional development opportunities to teachers and school administrators.
- Provide resources for school districts to improve curriculum.
- Lower class sizes.



The Governor is adamantly opposed to removing gaming proceeds from the Foundation Formula and putting them into a Classroom Trust Fund with no suggested funding source to replace the money. This proposal is fiscally irresponsible. If the Foundation Formula funding is cut, school districts would encounter difficulties in retaining and attracting qualified teachers, keeping class sizes low, providing remediation and enrichment programs that help students succeed, and updating classes that will prepare students for the 21st century. Such a measure would take money away from rural, small and poorer districts and give it primarily to suburban, more affluent school districts. Every school district in Missouri deserves to have the same, equitable distribution of funding. To make such a proposed change simply invites expensive litigation on both the equity and adequacy of state funding.

OTHER ADDITIONAL RESOURCES FOR LOCAL SCHOOLS

Governor Holden's Fiscal Year 2004 budget includes \$3.6 billion in direct state aid to local public schools. In addition to maintaining funding for the Foundation Formula, the Governor recommends:

- \$11.7 million for Early Childhood Special Education for educational services provided to three- and four-year-old children with disabilities, bringing total state funding to \$81.3 million.

- \$2.8 million for payments to public schools for students placed by the Children's Division or the Department of Mental Health.

MISSOURI SENIOR Rx PROGRAM

For Missouri seniors, the affordability of prescription drugs continues to be a serious concern. Prescription drug coverage is still excluded from Medicare, and separate insurance to cover prescription drugs is very costly. For seniors with limited resources, choosing which prescription to fill is, unfortunately, a choice they often must make. Some seniors forego necessary medications, leading to increased illness and acute medical costs. During a special session called by Governor Holden in September 2001, the General Assembly approved the Missouri Senior Rx Program to provide drug coverage for seniors with individual incomes below \$17,000 or household incomes below \$23,000. The Governor recommends an increase of \$28.5 million of the tobacco settlement payments to ensure an estimated 40,100 seniors benefit from this program.

MISSOURI'S PRISON POPULATION

Missouri statutes contain some of the toughest anti-crime provisions in the country. As a result, Missouri law now requires dangerous, violent criminals to serve longer sentences than ever before. These "get tough" provisions have resulted in a rapidly expanding prison population. During the last eight calendar

years, Missouri's inmate population has grown by 11,272 inmates or 3.9 inmates per day. In comparison, during the decade of the 1980's, the population grew at a rate of 2.5 inmates per day. During calendar year 2002, the population grew at a rate of 4.1 inmates per day. In Fiscal Year 2004, the average daily inmate population is projected to be 31,484.

For a criminal justice system to be effective, incarceration space must be available and operated efficiently. The governor recommends providing a total of \$36.4 million dollars to complete the openings of the Eastern Reception and Diagnostic Correctional Center in Bonne Terre and the Southeast Missouri Correctional Center in Charleston and to maintain current interim housing at Algoa Correctional Center, Fulton Diagnostic and Reception Center, and Western Missouri Correctional Center (Cameron).

The completion of the Eastern Reception and Diagnostic Correctional Center will help ensure that Missouri prisons adopt all the efficiencies available through modern prison design. Upon full opening, the institution will operate an 820-bed intake unit serving as the point of admission for offenders committed in the eastern regions of the state. The remaining 1,768 beds will serve as housing for high-custody male inmates. Similarly, the Southeast Missouri Correctional Center will contribute another 1,596 inmate beds. Both the Eastern Reception and Diagnostic Center, and the Southeast Missouri Correctional Center will be state-of-the-art correctional facilities that will serve Missourians not only by housing inmates but doing so through the most efficient means possible.

TREATMENT FOR SEXUALLY VIOLENT PREDATORS

Persons deemed by the courts to be "sexually violent predators" are committed to the custody of the Department of Mental Health for control and treatment until they can safely return to the community. The courts have also tended to place individuals in the department's custody pending final determination of their status. The program began in January 1999 at the Southeast Missouri Mental Health Center, and the number of individuals detained or committed has been steadily increasing. Governor Holden recommends an increase of \$1.4 million for the program in Fiscal Year 2004.

REVIEW OF THE FISCAL YEAR 2003 BUDGET

The State of Missouri finished Fiscal Year 2002 with a balanced operating budget, but in very difficult financial condition. Net general revenue declined 3.5 percent and was about \$119 million below forecast, which was within about two percent of the consensus revenue estimate. The Fiscal Year 2002 revenue shortfall was primarily due to a sharp decline in the stock market in calendar year 2001. The stock market decline greatly reduced income tax collections from capital gains. The decline in tax revenues associated with the stock market decline proved to be much greater than federal and most state revenue estimators anticipated. In addition to the stock market induced decline in individual income tax, sales and use tax collections remained sluggish, growing only 0.9%.

While the national economy has grown modestly over the last year, state revenue collection growth has continued to decline. Through the first six months of Fiscal Year 2003 net general revenue collections fell by 3.0 percent relative to the same six months of Fiscal Year 2002. This prompted Governor Holden to announce Fiscal Year 2003 budget withholdings of \$67.1 million in early January.

THE ECONOMIC OUTLOOK U.S. Economy and Outlook

After ten consecutive years of real growth as measured by real Gross Domestic Product (GDP), the U.S. economy fell into a recession in 2001. Fortunately, real GDP growth resumed in the final quarter of 2001 and that growth has carried over into 2002. For calendar year 2002 real GDP is expected to increase 2.4 percent. The inflation rate as measured by the Consumer Price Index is expected to rise 1.6 percent in 2002 and rise by 2.0 percent in 2003. This remains low by historical standards. With the economy still weak, the national unemployment rate is expected to be 5.8 percent for all of 2002 and be at 5.7 percent in 2003.

Looking ahead, the U.S. economic outlook is guardedly positive. Many leading forecasters, including Macroeconomic Advisers in St. Louis, expect the U.S. economy to improve over the next 18 months. For Fiscal Years 2003 and 2004, the Macroeconomic Advisers forecast is for real GDP to grow 2.7 percent and 3.4

percent, respectively. The inflation rate is expected to be 2.1 and 1.8 percent in the two fiscal years. The U.S. unemployment rate is expected to decline slowly from 5.9 percent to 5.4 percent over the forecast period. This combination of inflation and unemployment will produce a so-called misery index (inflation rate plus unemployment rate) of about 8.0 percent. It is notable that the misery index remains low by historical standards. From 1981 through 1992 the misery index averaged 11.7 percent.

While the U.S. economy has experienced slow growth over most of 2002, the outlook is for improved performance based on the following factors:

- The Federal Reserve has continued to pursue an expansionary monetary policy, lowering interest rates as recently as November 2002. The federal funds rate target was reduced from 1.75 percent to 1.25 percent.
- Oil prices are expected to remain relatively low. The price of imported oil is expected to be around \$20 per barrel over the forecast period. This assumes a peaceful resolution of the Iraq situation.
- Consumer spending growth has held up well despite the stagnant economy of most of the last two years. This is expected to continue over the forecast period.

In summary, while the U.S. economy appears poised for better times, there is considerable downside risk. For the expected economic improvement to occur many things must happen. These include:

- A sustained stock market recovery.
- Continued strength in consumer spending.
- Business confidence and business hiring must accelerate. This must also lead to enhanced capital spending.
- Last and certainly not least, war with Iraq must either be avoided or be resolved very quickly. Should hostilities break out and not go well for the United States and its allies, oil prices are likely to rise sharply. This would almost certainly terminate the fragile economic recovery now under way. This, in turn, would severely impact state revenues.

The Missouri Economy and Outlook

As was the case with the national economy, the Missouri economy has been and remains under strain. The Missouri unemployment rate in November 2001 stood at 4.7 percent. One year later, the unemployment rate rose to 4.8 percent despite a gradually improving national economy. Over the course of the year, this rise in the Missouri unemployment rate represents a loss of about 13,500 jobs. The sagging economy has also depressed the rate of growth in Missouri personal income. After growing by 5.6 percent and 2.5 percent in Fiscal Years 2001 and 2002, respectively, growth of 3.5 percent is expected in Fiscal Year 2003.

On the positive side, the Missouri Purchasing Managers Index stood at 56.3 in November of 2002. This index purports to predict the direction of the state economy. An index number above 50 generally indicates improving economic conditions. On the downside, the fate of the Ford Motor Company plant in St. Louis County remains uncertain.

While the Missouri economy is under strain, a modest rebound is expected. The state economy remains diverse with strong presence in health care services and agriculture, as well as the travel and leisure industry. Employment in health care services has grown from 192,700 in 1990 to 237,000 in November of 2002. Missouri maintains a very favorable business tax climate evidenced by Missouri's ranking of 46th of 46 states that levy a corporate income tax in per capita corporate income tax. As the U.S. economy rebounds, growth in the Missouri economy will likely resume.

REVENUE ESTIMATES FOR FISCAL YEARS 2003 AND 2004

Forecasting revenues is an inherently difficult task, particularly during periods of economic transition and with much uncertainty abroad. Cooperation between the Governor and legislative leaders also remains critical for sound state budget policy. Governor Holden has worked cooperatively with House and Senate leaders to attempt to develop a consensus revenue estimate.

The revised Fiscal Year 2003 revenue estimate projects that net general revenue collections will decline by 3.1 percent. The Fiscal Year 2004 revenue estimate projects 2.5 percent net growth over the Fiscal Year 2003 revised revenue estimate.

Revenue Limitation Amendment

Article X of the Missouri Constitution establishes a revenue and spending limit on state government. The limit is about 5.6 percent of Missouri personal income based on the relationship between personal income and total state revenues when the limit was established and approved by voters in November 1980. Calculations made pursuant to Article X of the Missouri Constitution show that total state revenues for Fiscal Year 2002 were below the total state revenue limit by \$1.15 billion – the greatest amount below the limit since it was established. As measured by the state's revenue limit, in Fiscal Year 2002 Missourians paid a smaller percentage of their personal income to state government than at any time since enactment of the limit in 1980.

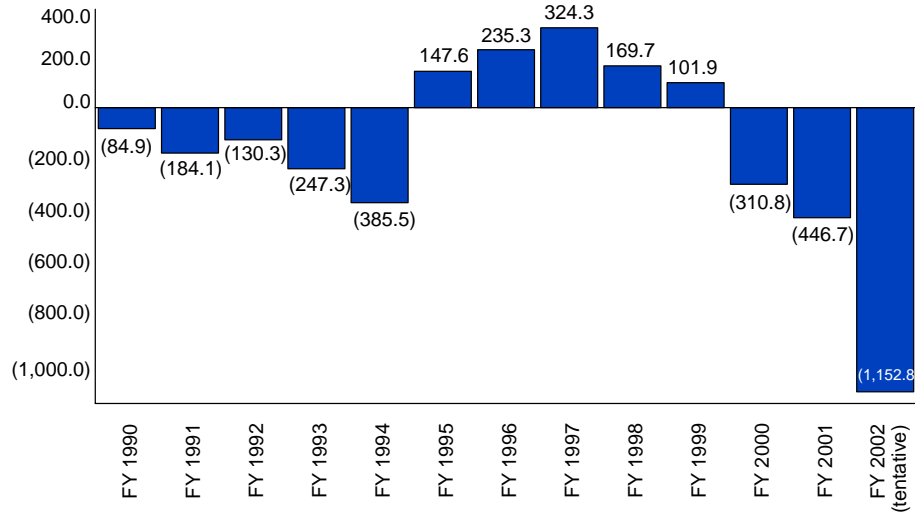
The Office of Administration projects that total state revenues will not exceed the total state revenue limit in Fiscal Year 2003 or Fiscal Year 2004. Indeed, the gap between what is expected to be collected and the revenue limit will continue to widen over the next few years. These preliminary calculations are subject to

change as actual state revenue collections become known and as the federal government revises its estimates of Missouri personal income. In addition, the recent volatility in the stock market, if continued, could have an impact on this projection. As the federal tax cut phases-in over the next few years and continues to reduce state revenue growth, Missouri's total state revenues as a percentage of personal income will continue to fall significantly. The calculations project that total state revenues will be approximately \$1.7 billion below the Article X revenue limit in Fiscal Year 2003 and \$2.5 billion below the Article X revenue limit in Fiscal Year 2008.

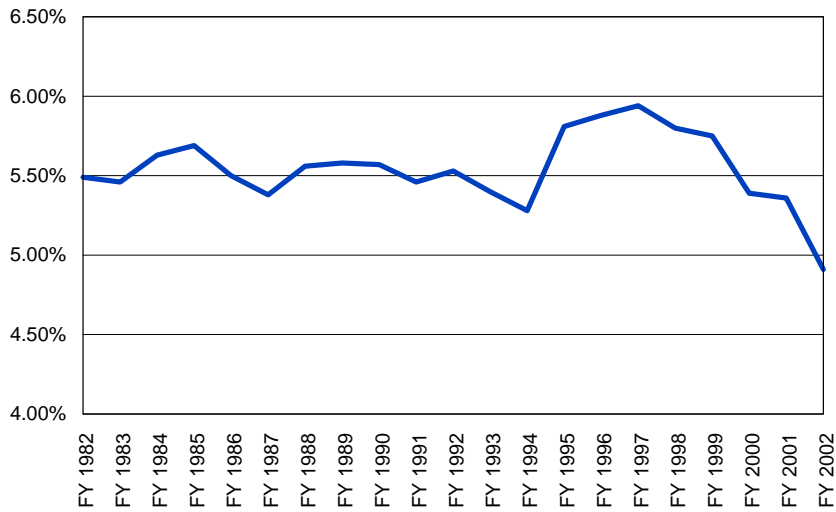
These projections could change if the General Assembly were to pass legislation to increase revenue without a vote of the people. Per Article X of the Missouri Constitution revenue approved by the voters is not subject to the revenue and spending limit.

ECONOMIC PROJECTIONS		
	Increase	
<u>U.S.</u>	<u>FY 2003</u>	<u>FY 2004</u>
Real GDP	2.7%	3.4%
Consumer Prices	2.1%	1.8%
Consumption Expenditures	4.6%	4.4%
Corporate Profits	0.9%	6.9%
 <u>MISSOURI</u>		
Total Employment	0.6%	1.5%
Increase in Personal Income	3.5%	4.5%

**Total State Revenues Compared to Hancock Limitation
(in millions)**



**Lowest Percentage of Personal Income
Paid in 20 Years***



*Calculated in accordance with the constitutional requirements of the Hancock revenue limit.

**FISCAL YEAR 2004-FISCAL YEAR 2005
BIENNIAL CAPITAL IMPROVEMENTS
BUDGET**

Missouri uses a biennial appropriations process for capital improvements. This approach recognizes that most capital improvement projects take two or more years to complete, since significant advance time is required for technical design and the competitive bidding process before actual construction can begin. During the second year of the biennium, funding is provided for critical projects that were not envisioned when the biennial budget was adopted, for completion of projects begun in prior years, and for use of one-time revenues that become available for major infrastructure improvements. The very difficult financial circumstances faced by the state limits the biennial capital improvement budget to the following items:

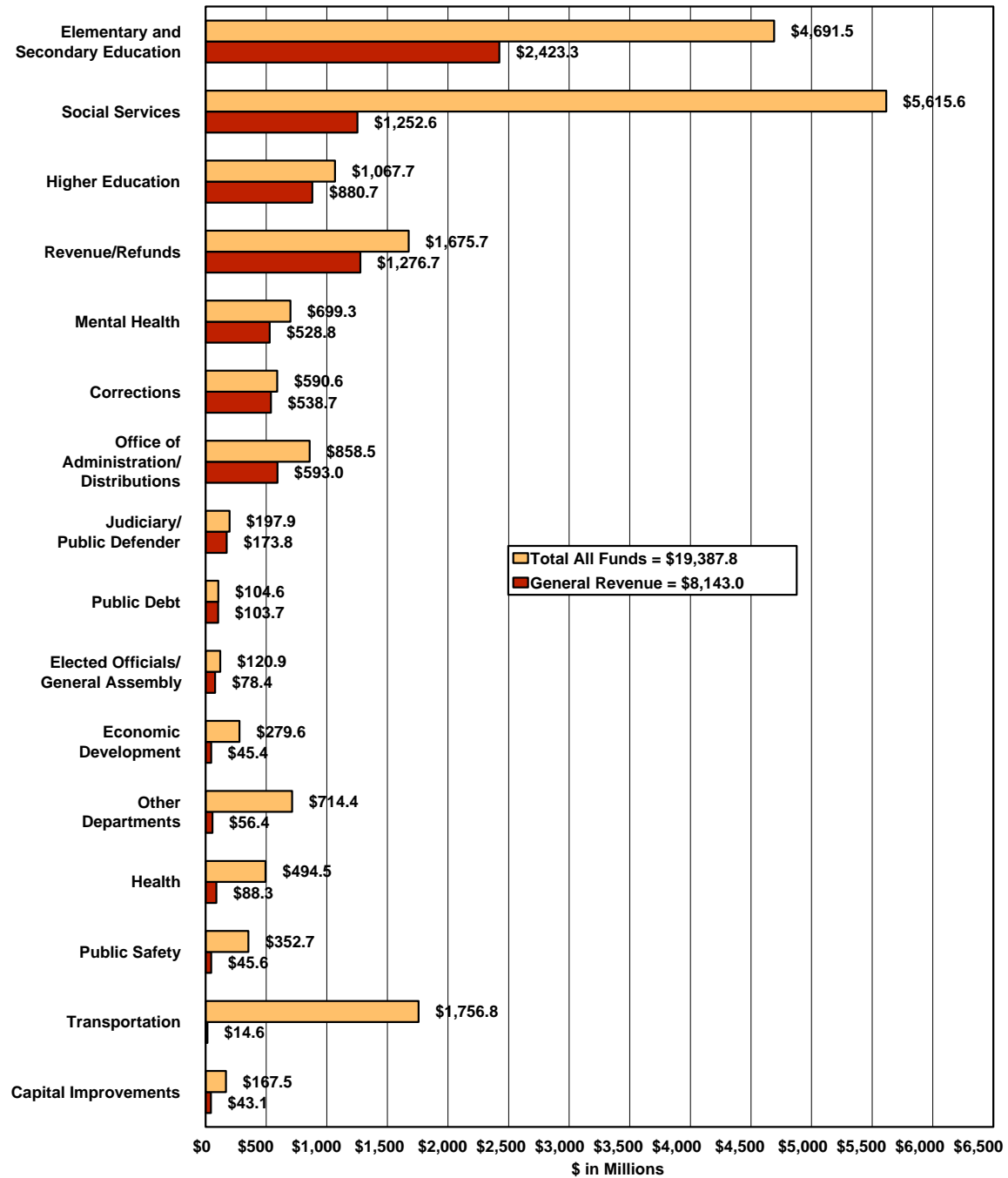
- \$123.4 million for maintenance and repair to continue implementation of the voter-approved dedication of revenues for state-owned facilities.
- \$96.7 million for projects at Missouri National Guard facilities located throughout the state, including \$57.8 million for a specially designed aviation hanger and maintenance facility at the Springfield airbase. This facility will provide aircraft maintenance for the central region of the United States.
- \$50 million to acquire, develop, improve, and repair Department of Conservation facilities.
- \$30.7 million for construction of community corrections centers, including \$3.1 million general revenue.
- \$15.4 million for improvements at state parks and historical sites statewide.
- \$8 million for various repairs and improvements at veterans' homes in Cape Girardeau, St. Louis, Cameron, St. James, and Warrensburg.

**FISCAL YEAR 2004
COMPENSATION PLAN**

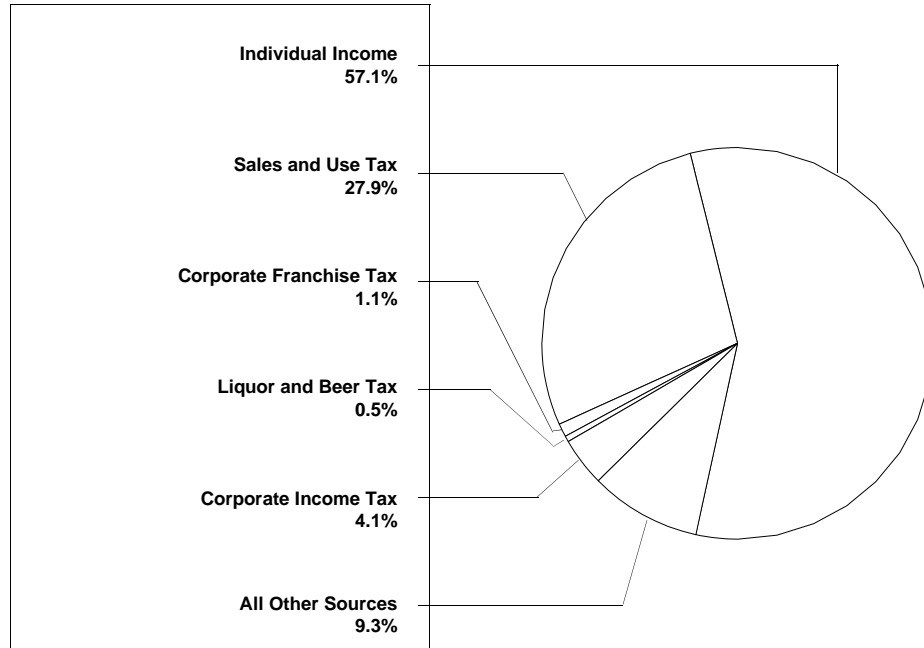
The state of Missouri competes in the marketplace for qualified, high performing employees. This becomes increasingly difficult when the state faces economic stress and salary increases are kept small or foregone to achieve budgetary savings that are necessary to maintain other services. Although resources are limited in Fiscal Year 2004, Governor Holden recommends a salary increase for those state employees who make the lowest annual salaries, as well as significant increases for employees' health care and other fringe benefits. Recommendations include:

- \$36.2 million, including \$20.4 general revenue, for a salary increase of \$600 for each employee with an annual salary of not greater than \$40,000 annually, including related fringe benefits. About 85 percent of state workers will receive a pay increase. The cost of the pay plan without accompanying fringe benefits is \$30.7 million, including \$17.6 million general revenue.
- \$24.6 million, including \$17.2 million general revenue, for increased costs to the state for participation in the Missouri Consolidated Health Care Plan.
- \$15.7 million, including \$10.2 million general revenue, for increased costs to the state for participation in the Missouri State Employees Retirement System.
- \$1 million general revenue for increased costs to the state for workers' compensation claims.

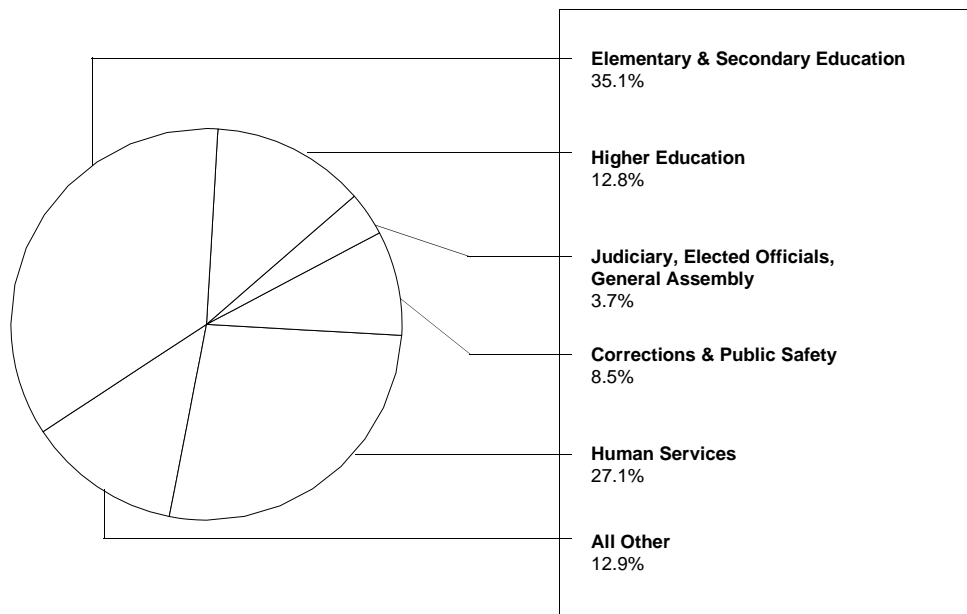
FY 2004 BUDGET RECOMMENDATIONS



**REVENUES
GENERAL REVENUE RECEIPTS
FISCAL YEAR 2004**

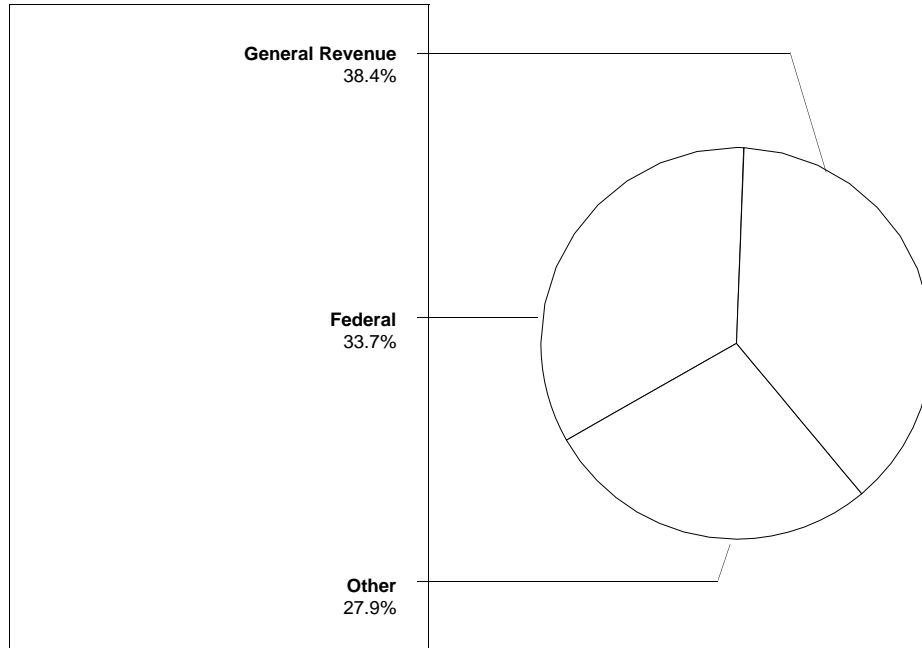


**EXPENDITURES*
GENERAL REVENUE OPERATING BUDGET
FISCAL YEAR 2004**

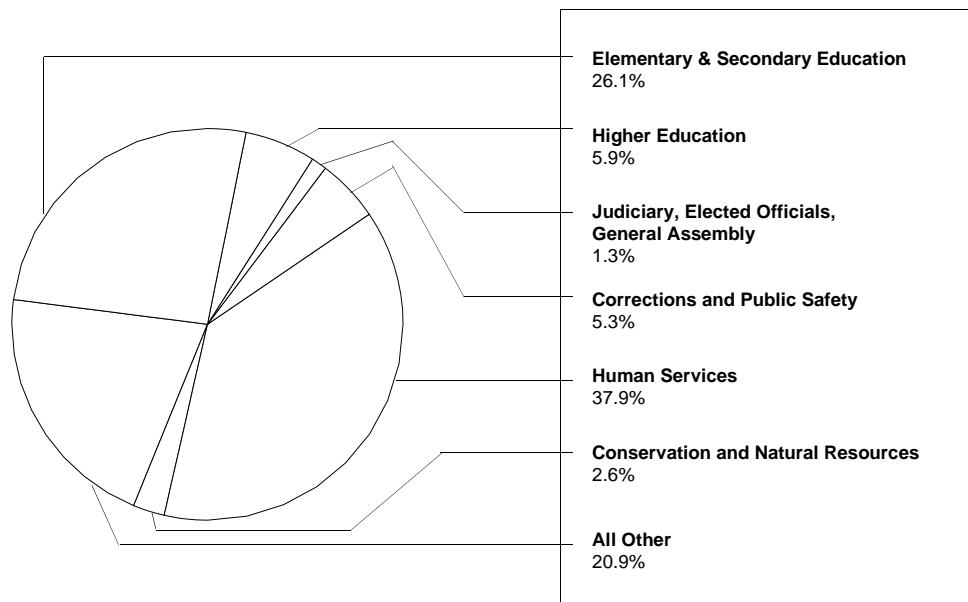


***Excludes tax refunds**

**TOTAL STATE OPERATING BUDGET
SOURCES OF FUNDS*
FISCAL YEAR 2004**



**EXPENDITURES*
ALL FUNDS OPERATING BUDGET
FISCAL YEAR 2004**



***Excludes tax refunds**

GENERAL REVENUE RECEIPTS AND ESTIMATES

	<u>Receipts</u> <u>FY 2002</u>	<u>Estimated</u> <u>FY 2003</u>	<u>Estimated</u> <u>FY 2004</u>	<u>Governor</u> <u>FY 2004</u>
<u>Collections</u>				
Individual Income Tax	\$ 4,126,444,891	\$ 4,096,300,000	\$ 4,231,200,000	\$ 4,282,800,000
Sales and Use Tax	1,816,833,628	1,842,200,000	1,895,600,000	1,931,600,000
Corporate Income Tax*	381,247,684	317,200,000	284,600,000	431,400,000
Cigarette Tax	0	0	0	278,500,000
County Foreign Insurance Tax	160,662,218	176,800,000	203,300,000	203,300,000
Liquor Tax	21,548,075	22,000,000	22,400,000	22,400,000
Beer Tax	8,239,840	8,400,000	8,500,000	8,500,000
Corporate Franchise Tax*	18,884,011	78,200,000	80,500,000	81,500,000
Inheritance/Estate Tax	136,954,951	91,800,000	61,500,000	61,500,000
Interest on Deposits and Investments	39,202,028	15,000,000	12,000,000	12,000,000
Federal Reimbursements	90,070,033	98,900,000	79,700,000	79,700,000
All Other Sources	<u>124,288,536</u>	<u>112,000,000</u>	<u>114,000,000</u>	<u>116,100,000</u>
Subtotal General Revenue Collections	6,924,375,895	6,858,800,000	6,993,300,000	7,509,300,000
Outstanding Schools - Individual Income Tax	333,800,000	329,800,000	340,700,000	342,200,000
Outstanding Schools - Corporate Income Tax	<u>69,400,000</u>	<u>57,400,000</u>	<u>32,700,000</u>	<u>52,200,000</u>
Subtotal Outstanding Schools Collections	403,200,000	387,200,000	373,400,000	394,400,000
Total General Revenue Collections	\$ 7,327,575,895	\$ 7,246,000,000	\$ 7,366,700,000	\$ 7,903,700,000
Refunds	<u>(1,116,600,000)</u>	<u>(1,229,800,000)</u>	<u>(1,201,800,000)</u>	<u>(1,201,800,000)</u>
Net General Revenue Collections	\$ 6,210,975,895	\$ 6,016,200,000	\$ 6,164,900,000	\$ 6,701,900,000
<u>Transfers</u>				
Regular transfers	76,802,702	80,700,000	63,600,000	63,600,000
Article X repayments	0	1,000,000	0	0
Budget Reserve Fund	0	18,700,000	9,100,000	9,100,000
Healthy Families Trust Fund	228,383,580	125,100,000	37,000,000	37,000,000
Other transfers	<u>65,914,073</u>	<u>10,800,000</u>	<u>10,500,000</u>	<u>10,500,000</u>
Total Transfers	371,100,355	236,300,000	120,200,000	120,200,000
Total Net General Revenue Collections and Transfers	\$ 6,582,076,250	\$ 6,252,500,000	\$ 6,285,100,000	\$ 6,822,100,000

*FY 2002 Corporate Income Tax includes corporate franchise tax that corporations paid on corporate income tax returns.

GENERAL REVENUE SUMMARY

RESOURCES

	<u>FY 2002</u>	<u>FY 2003</u>	<u>FY 2004</u>
Beginning Balance	\$ 43,611,285	\$ 75,341,333	\$ 41,243,854
Previous Year's Lapse (1)	65,551,499	89,804,349	68,860,943
Revenue Collections (2)	6,924,075,895	6,858,800,000	7,509,300,000
Outstanding Schools Collections (3)	403,500,000	387,200,000	394,400,000
Transfers to Fund (4)	371,130,651	236,300,000	120,200,000
Tobacco Securitization (5)	0	350,000,000	25,000,000
Total Resources Available	\$ 7,807,869,330	\$ 7,997,445,682	\$ 8,159,004,797

OBLIGATIONS

Operating Appropriations (6)	\$ 6,520,742,746	\$ 6,396,643,939	\$ 6,487,245,299
Refunds (7)	1,116,640,512	1,229,800,000	1,201,800,000
Capital Improvements Appropriations	36,381,658	40,846,243	43,059,498
Confirmed lapse/withholdings	(442,442,009)	(257,788,354)	0
Outstanding Schools Transfer (3)	451,300,000	421,300,000	394,400,000
Supplementals/Increased Estimateds	29,905,090	105,400,000	40,000,000
Desegregation - St. Louis	20,000,000	20,000,000	16,500,000
Early retirement plan	0	0	(24,000,000)
Total Obligations	7,732,527,997	7,956,201,828	8,159,004,797
Ending Balance	\$ 75,341,333	\$ 41,243,854	\$ 0

NOTES TO GENERAL REVENUE SUMMARY

- (1) Unexpended appropriations are counted as a resource in the next fiscal year to avoid premature commitment of uncertain resources until actual lapses are known.
- (2) Revenue growth rates for net revenue collections after deducting refunds and before the Governor's proposals are FY 2003, (3.2%); FY 2004, 2.5%.
- (3) The Outstanding Schools Act established additional revenues for education finance. An additional \$50 million was redirected to education reforms beginning in FY 1994.
- (4) Transfers to fund do not include cash flow loan repayments.
- (5) Reflects the budgetary benefit of the sale of a portion of the tobacco settlement proceeds. Realization of actual budgetary benefit will come from reimbursements to general revenue for qualifying expenses and additional lapse of appropriations that will be paid from securitization revenues.
- (6) Operating Appropriations for FY 2004 include a base of \$6,063.0 million, \$424.2 million in critical cost increases. Does not include cash flow loans.
- (7) Refunds reflect actual for FY 2002; the revised estimate for FY 2003; and the estimate for FY 2004.

FY 2004 OPERATING AND CAPITAL BUDGET SUMMARY

House <u>Bill</u>	<u>FY 2002 Expenditure</u>	<u>FY 2003 Appropriation</u>	<u>Governor's Recommendation FY 2004</u>
1 <u>Public Debt</u>			
General Revenue	\$ 98,871,530	\$ 91,989,799	\$ 103,658,379
Federal Funds	0	0	0
Other Funds	0	19,040,165	987,647
Total	<u>\$ 98,871,530</u>	<u>\$ 111,029,964</u>	<u>\$ 104,646,026</u>
2 <u>Elementary and Secondary Education</u>			
General Revenue	\$ 2,440,192,352	\$ 2,616,153,489	\$ 2,423,334,948
Federal Funds	648,557,824	880,523,083	927,318,630
Other Funds	1,174,458,519	1,151,748,846	1,340,798,458
Total	<u>\$ 4,263,208,695</u>	<u>\$ 4,648,425,418</u>	<u>\$ 4,691,452,036</u>
3 <u>Higher Education</u>			
General Revenue	\$ 798,708,350	\$ 875,992,675	\$ 880,744,114
Federal Funds	2,742,744	6,740,637	6,690,637
Other Funds	144,377,849	213,793,894	180,276,578
Total	<u>\$ 945,828,943</u>	<u>\$ 1,096,527,206</u>	<u>\$ 1,067,711,329</u>
4 <u>Revenue</u>			
General Revenue	\$ 1,185,491,091	\$ 1,187,587,534	\$ 1,276,706,058
Federal Funds	494,644	3,479,453	8,048,685
Other Funds	381,695,764	410,145,793	390,992,956
Total	<u>\$ 1,567,681,499</u>	<u>\$ 1,601,212,780</u>	<u>\$ 1,675,747,699</u>
4 <u>Transportation</u>			
General Revenue	\$ 16,482,799	\$ 10,812,775	\$ 14,606,939
Federal Funds	22,584,007	39,687,886	55,392,941
Other Funds	1,755,033,311	1,828,718,801	1,686,762,979
Total	<u>\$ 1,794,100,117</u>	<u>\$ 1,879,219,462</u>	<u>\$ 1,756,762,859</u>
5 <u>Office of Administration</u>			
General Revenue	\$ 537,111,294	\$ 559,708,048	\$ 592,974,803
Federal Funds	135,032,446	127,990,978	140,573,877
Other Funds	113,137,159	119,281,159	124,918,999
Total	<u>\$ 785,280,899</u>	<u>\$ 806,980,185</u>	<u>\$ 858,467,679</u>
6 <u>Agriculture</u>			
General Revenue	\$ 12,832,632	\$ 15,848,145	\$ 15,257,390
Federal Funds	912,034	3,263,590	3,850,460
Other Funds	11,589,032	14,259,878	15,251,358
Total	<u>\$ 25,333,698</u>	<u>\$ 33,371,613</u>	<u>\$ 34,359,208</u>

FY 2004 OPERATING AND CAPITAL BUDGET SUMMARY

House Bill	FY 2002 <u>Expenditure</u>	FY 2003 <u>Appropriation</u>	Governor's Recommendation <u>FY 2004</u>
6 <u>Natural Resources</u>			
General Revenue	\$ 12,200,719	\$ 15,018,158	\$ 10,511,883
Federal Funds	30,329,285	40,635,129	46,997,879
Other Funds	122,041,229	281,948,274	275,730,991
Total	<u>\$ 164,571,233</u>	<u>\$ 337,601,561</u>	<u>\$ 333,240,753</u>
6 <u>Conservation</u>			
General Revenue	\$ 0	\$ 0	\$ 0
Federal Funds	0	0	0
Other Funds	109,881,228	125,071,345	126,951,038
Total	<u>\$ 109,881,228</u>	<u>\$ 125,071,345</u>	<u>\$ 126,951,038</u>
7 <u>Economic Development</u>			
General Revenue	\$ 41,533,514	\$ 44,000,629	\$ 45,356,668
Federal Funds	121,262,370	143,580,975	163,686,889
Other Funds	52,876,917	72,658,980	70,571,274
Total	<u>\$ 215,672,801</u>	<u>\$ 260,240,584</u>	<u>\$ 279,614,831</u>
7 <u>Insurance</u>			
General Revenue	\$ 0	\$ 0	\$ 0
Federal Funds	400,000	450,000	450,000
Other Funds	12,678,606	14,395,291	14,301,991
Total	<u>\$ 13,078,606</u>	<u>\$ 14,845,291</u>	<u>\$ 14,751,991</u>
7 <u>Labor and Industrial Relations</u>			
General Revenue	\$ 3,805,756	\$ 4,150,741	\$ 3,668,612
Federal Funds	50,178,908	67,397,547	67,989,931
Other Funds	65,692,539	57,979,627	83,327,368
Total	<u>\$ 119,677,203</u>	<u>\$ 129,527,915</u>	<u>\$ 154,985,911</u>
8 <u>Public Safety</u>			
General Revenue	\$ 42,235,016	\$ 46,970,334	\$ 45,573,905
Federal Funds	82,496,343	106,557,433	87,061,465
Other Funds	194,898,678	209,137,512	220,088,020
Total	<u>\$ 319,630,037</u>	<u>\$ 362,665,279</u>	<u>\$ 352,723,390</u>
9 <u>Corrections</u>			
General Revenue	\$ 460,224,624	\$ 512,349,786	\$ 538,727,427
Federal Funds	6,724,334	10,597,219	8,972,901
Other Funds	25,212,615	42,827,457	42,947,609
Total	<u>\$ 492,161,573</u>	<u>\$ 565,774,462</u>	<u>\$ 590,647,937</u>
10 <u>Mental Health</u>			
General Revenue	\$ 534,022,440	\$ 525,452,899	\$ 528,822,416
Federal Funds	88,000,066	140,809,081	135,873,596
Other Funds	22,179,561	36,861,381	34,586,321
Total	<u>\$ 644,202,067</u>	<u>\$ 703,123,361</u>	<u>\$ 699,282,333</u>

FY 2004 OPERATING AND CAPITAL BUDGET SUMMARY

House <u>Bill</u>	<u>FY 2002 Expenditure</u>	<u>FY 2003 Appropriation</u>	Governor's <u>Recommendation FY 2004</u>
10 <u>Health</u>			
General Revenue	\$ 86,776,357	\$ 92,531,192	\$ 88,271,014
Federal Funds	247,408,847	314,997,289	318,438,264
Other Funds	17,610,959	102,706,160	87,788,403
Total	<u>\$ 351,796,163</u>	<u>\$ 510,234,641</u>	<u>\$ 494,497,681</u>
11 <u>Social Services</u>			
General Revenue	\$ 1,170,247,366	\$ 1,071,317,737	\$ 1,252,597,293
Federal Funds	3,790,476,524	3,824,473,945	4,027,228,475
Other Funds	593,695,913	464,698,108	335,789,552
Total	<u>\$ 5,554,419,803</u>	<u>\$ 5,360,489,790</u>	<u>\$ 5,615,615,320</u>
12 <u>Elected Officials</u>			
General Revenue	\$ 42,284,419	\$ 44,111,162	\$ 43,989,121
Federal Funds	4,145,744	6,802,928	11,773,979
Other Funds	24,895,222	30,386,911	30,131,247
Total	<u>\$ 71,325,385</u>	<u>\$ 81,301,001</u>	<u>\$ 85,894,347</u>
12 <u>Judiciary</u>			
General Revenue	\$ 140,517,393	\$ 142,198,592	\$ 143,144,169
Federal Funds	3,660,881	15,488,232	16,439,957
Other Funds	5,195,533	5,935,723	6,347,831
Total	<u>\$ 149,373,807</u>	<u>\$ 163,622,547</u>	<u>\$ 165,931,957</u>
12 <u>Public Defender</u>			
General Revenue	\$ 28,503,733	\$ 29,911,634	\$ 30,611,874
Federal Funds	0	125,000	125,000
Other Funds	752,435	1,214,534	1,215,734
Total	<u>\$ 29,256,168</u>	<u>\$ 31,251,168</u>	<u>\$ 31,952,608</u>
12 <u>General Assembly</u>			
General Revenue	\$ 31,218,745	\$ 34,189,085	\$ 34,426,685
Federal Funds	0	0	0
Other Funds	129,984	620,800	620,800
Total	<u>\$ 31,348,729</u>	<u>\$ 34,809,885</u>	<u>\$ 35,047,485</u>
13 <u>Statewide Leasing</u>			
General Revenue	\$ 23,308,688	\$ 28,249,525	\$ 26,961,601
Federal Funds	14,030,835	17,720,754	17,198,830
Other Funds	5,336,171	6,880,739	5,934,864
Total	<u>\$ 42,675,694</u>	<u>\$ 52,851,018</u>	<u>\$ 50,095,295</u>
14 <u>Supplemental Recommendations</u>			
General Revenue	\$ 0	\$ 1	\$ 0
Federal Funds	0	0	0
Other Funds	0	0	0
Total	<u>\$ 0</u>	<u>\$ 1</u>	<u>\$ 0</u>

FY 2004 OPERATING AND CAPITAL BUDGET SUMMARY

House <u>Bill</u>	<u>FY 2002 Expenditure</u>	<u>FY 2003 Appropriation</u>	<u>Governor's Recommendation FY 2004</u>
15	<u>Supplemental Recommendations</u>		
General Revenue		\$ 70,397,414	
Federal Funds		166,835,906	
Other Funds		15,282,199	
Total		<u>\$ 252,515,519</u>	
	<u>Total Operating Budget</u>		
General Revenue	\$ 7,706,568,818	\$ 8,018,941,354	\$ 8,099,945,299
Federal Funds	5,249,437,836	5,918,157,065	6,044,112,396
Other Funds	4,833,369,224	5,225,593,577	5,076,322,018
Total	<u>\$ 17,789,375,878</u>	<u>\$ 19,162,691,996</u>	<u>\$ 19,220,379,713</u>
18	<u>Capital Improvements - Maintenance and Repair</u>		
General Revenue	\$ 29,665,363	\$ 40,646,243	\$ 38,642,963
Federal Funds	1,808,115	1,948,867	4,021,028
Other Funds	9,140,614	6,769,052	14,852,217
Total	<u>\$ 40,614,092</u>	<u>\$ 49,364,162</u>	<u>\$ 57,516,208</u>
19	<u>Capital Improvements - Construction</u>		
General Revenue	\$ 6,716,295	\$ 200,000	\$ 4,416,535
Federal Funds	8,250,200	825,000	75,854,169
Other Funds	30,951,237	27,589,333	29,683,204
Total	<u>\$ 45,917,732</u>	<u>\$ 28,614,333</u>	<u>\$ 109,953,908</u>
20	<u>Capital Improvements - Construction and one-time uses</u>		
General Revenue	\$ 0	\$ 0	\$ 0
Federal Funds	0	5,807,643	0
Other Funds	0	30,000,000	0
Total	<u>\$ 0</u>	<u>\$ 35,807,643</u>	<u>\$ 0</u>
	<u>Total Capital Improvements Budget</u>		
General Revenue	\$ 36,381,658	\$ 40,846,243	\$ 43,059,498
Federal Funds	10,058,315	8,581,510	79,875,197
Other Funds	40,091,851	64,358,385	44,535,421
Total	<u>\$ 86,531,824</u>	<u>\$ 113,786,138</u>	<u>\$ 167,470,116</u>
	<u>GRAND TOTAL</u>		
General Revenue	\$ 7,742,950,476	\$ 8,059,787,597	\$ 8,143,004,797
Federal Funds	5,259,496,151	5,926,738,575	6,123,987,593
Other Funds	4,873,461,075	5,289,951,962	5,120,857,439
Total	<u>\$ 17,875,907,702</u>	<u>\$ 19,276,478,134</u>	<u>\$ 19,387,849,829</u>

SUPPLEMENTAL RECOMMENDATIONS FISCAL YEAR 2003

	<u>GENERAL REVENUE</u>	<u>FEDERAL FUNDS</u>	<u>OTHER FUNDS</u>	<u>TOTAL</u>
Department of Elementary and Secondary Education	\$ 0	\$ 7,898,860	\$ 0	\$ 7,898,860
Department of Revenue	9,175	0	0	9,175
Department of Transportation	1,200,000	0	0	1,200,000
Office of Administration	2	0	0	2
Department of Public Safety	83,994	365,000	0	448,994
Department of Corrections	1,661,662	0	0	1,661,662
Department of Mental Health	0	2,167,916	1,372,695	3,540,611
Department of Social Services	67,142,582	156,404,130	13,909,504	237,456,216
Elected Officials	50,000	0	0	50,000
Public Defender	<u>250,000</u>	<u>0</u>	<u>0</u>	<u>250,000</u>
TOTAL HOUSE BILL 14 AND HOUSE BILL 15	\$ 70,397,415	\$ 166,835,906	\$ 15,282,199	\$ 252,515,520

Managing for Results

Governor Holden is dedicated to managing state government to achieve the results Missourians expect. More than that, the Governor plans to move Missouri beyond today's expectations to a future that includes a high-performance educational system, safe and healthy families and individuals, and a 21st century, world class economy.

Governor Holden's business-like managing for results approach to state government is built on setting priorities, measuring success, driving better decisions to enhance success, and reporting on performance. This approach encourages fact-based decision making, innovation, and agencies working together to achieve common goals. Governor Holden is directing state agencies to make government programs more efficient and more responsive to the needs of the people they serve. A high level of achievement is expected.

Missouri has been recognized as one of the best managed states in the nation, in part, because the state measures and reports on key results that indicate the well-being of the people who live and work in the state. Using this knowledge as a starting point, Governor Holden will work with citizens across the state to chart the course to a bright future for Missouri. Governor Holden's leadership will ensure that:

- Missouri is a Leader in Education;
- Missouri is Developing a 21st Century Economy; and
- Missouri is a Safe, Healthy Place to Live and Work.

For more information on how Missouri is performing on its priority results, visit the Managing for Results web site at www.mri.state.mo.us.

PUBLIC DEBT

FINANCIAL SUMMARY

	FY 2002 EXPENDITURE	FY 2003 APPROPRIATION	FY 2004 REQUEST	GOVERNOR RECOMMENDS FY 2004
Administration	\$ 40,131	\$ 124,669	\$ 124,669	\$ 125,281
Arbitrage Rebate	558	1	1	1
Advanced Refunding of Bonds	0	1	1	1
Fourth State Building Bonds	17,458,896	18,588,821	17,453,370	17,453,370
Water Pollution Control Bonds	31,908,555	37,770,165	33,054,470	33,054,470
Stormwater Control Bonds	2,109,601	4,014,172	3,182,135	3,182,135
Third State Building Bonds	47,353,789	50,532,135	50,830,780	50,830,780
TOTAL	\$ 98,871,530	\$ 111,029,964	\$ 104,645,426	\$ 104,646,038
General Revenue Fund	98,871,530	91,989,799	103,658,391	103,658,391
Water & Wastewater Loan Revolving Fund	0	19,040,165	987,647	987,647
Full-time equivalent employees	1.40	1.40	1.40	1.40

POLICY SUMMARY

State of Missouri general obligation bond issues consistently have received the highest, "Triple A", ratings from Moody's Investors Service, Standard and Poor's Corporation, and Fitch IBCA Incorporated. Missouri is one of only eight states that has this rating from all three rating organizations. The other states are Minnesota, Georgia, Utah, Virginia, Maryland, Delaware, and South Carolina. General obligation bonds can only be issued through voter-approved amendments to the state constitution. Currently outstanding general obligation bonds are for the four purposes identified below.

Water Pollution Control Bonds: Water pollution control bond proceeds help local governments construct wastewater and stormwater control facilities and improve public drinking water systems. These infrastructure improvements support local economic development, protect Missouri waterways from pollution, and help ensure safe drinking water supplies. As of December 2002, Missouri has issued, excluding refunding issuances, a total of \$544.5 million of the \$725 million authorized in water pollution control bonds. The Governor recommends a \$33.1 million general revenue transfer to the water pollution control bond and interest fund, and \$28.5 million for principal and interest payments on water pollution control bonds currently outstanding. There will be no new water pollution control bond issuance in Fiscal Year 2004.

Stormwater Control Bonds: In November 1998, Missouri voters approved a separate stormwater control bond issue of \$200 million for stormwater control plans, studies, and projects. As of December 2002, Missouri has issued a total of \$45 million of the \$200 million authorized in stormwater control bonds. The Governor recommends a \$3.2 million general revenue transfer to the stormwater control bond and interest fund, and \$3.2 million for principal and interest payments on stormwater control bonds currently outstanding. There will be no stormwater control bond issuance in Fiscal Year 2004.

Fourth State Building Bonds: In August 1994, Missouri voters approved a fourth state building bond issue to provide essential prison capacity, new residential beds for juvenile offenders, and significant new higher education construction and renovation. The Governor recommends a \$17.5 million general revenue transfer to the fourth state building bond and interest fund, and \$17.6 million for principal and interest payments on fourth state building bonds currently outstanding. With the final \$50 million issuance on June 1, 1998, all \$250 million in fourth state building bonds authorized by Missouri voters was issued.

Third State Building Bonds: The Governor recommends a \$50.8 million general revenue transfer to the third state building bond interest and sinking fund, and \$33.4 million for principal and interest payments on third state building bonds currently outstanding. With the final \$75 million issuance on December 1, 1987, all \$600 million in third state building bonds authorized by Missouri voters in 1982 was issued.

PUBLIC DEBT

ADMINISTRATION OF PUBLIC DEBT

The Board of Fund Commissioners administers the bonded indebtedness of the state. The board is comprised of the following members pursuant to Section 33.300, RSMo: Governor, Lieutenant Governor, Attorney General, State Auditor, State Treasurer, and Commissioner of Administration. Administrative expenses are associated with the sale and processing of the state's general obligation bonds. The board directs the payment of principal and interest on state debt and processes the redemption and cancellation of state bonds. Each of the general obligation bonds issued by the State of Missouri is rated "Triple A" by Moody's Investors Service, Standard and Poor's Corporation, and Fitch IBCA Incorporated.

Fiscal Year 2004 Governor's Recommendations

- \$612 for pay plan.

ARBITRAGE REBATE COSTS

The Board of Fund Commissioners is obligated to repay to the United States Treasury excess interest earnings on water pollution control bonds, stormwater control bonds, third state building bonds, and fourth state building bonds.

Fiscal Year 2004 Governor's Recommendations

Continue funding at the current level on an open-ended basis to accommodate possible additional costs.

ADVANCED REFUNDING OF BONDS

The Board of Fund Commissioners authorized the advanced refunding in Fiscal Year 2003 of several outstanding series of water pollution control and third state building bonds. Due to this refunding, the state will realize a savings of \$48.4 million over the life of the bonds.

Fiscal Year 2004 Governor's Recommendations

Continue funding at the current level on an open-ended basis to accommodate possible additional costs.

FOURTH STATE BUILDING BONDS DEBT SERVICE

Missouri voters approved \$250 million in fourth state building bonds under the provisions of Article III, Section 37, Missouri Constitution to be used for capital improvement projects at state facilities and higher education institutions. Bond sales were authorized by the General Assembly in Fiscal Year 1995, and bonds were then sold on a cash-as-needed basis to meet scheduled construction timetables. With the final sale of \$50 million on June 1, 1998, all \$250 million in voter-approved bonds have been issued.

This appropriation provides for principal and interest payments on fourth state building bonds now outstanding. The money is transferred from general revenue to the fourth state building bond and interest fund one year in advance of its appropriation.

Fiscal Year 2004 Governor's Recommendations

- \$17,453,370 for the transfer of general revenue for debt service on fourth state building bonds currently outstanding.

PUBLIC DEBT

SUMMARY OF FOURTH STATE BUILDINGS BOND ISSUANCES

<u>Issuance</u>	<u>Final Maturity Fiscal Year</u>	<u>Principal Amount Issued</u>	<u>Principal Amount Repaid</u>	<u>Principal Amount Refunded</u>	<u>Principal Outstanding As of 1/1/03</u>
Series A 1995	2020	\$ 75,000,000	\$ 11,930,000	\$ 56,300,000	\$ 6,770,000
Series A 1996	2022	125,000,000	17,770,000	92,485,000	14,745,000
Series A 1998	2023	<u>50,000,000</u>	<u>4,860,000</u>	<u>0</u>	<u>45,140,000</u>
Subtotal Excluding Refunding Issues		\$ 250,000,000	\$ 34,560,000	\$ 148,785,000	\$ 66,655,000
Series A 2002 Refunding	2022	<u>154,840,000</u>	<u>0</u>	<u>0</u>	<u>154,840,000</u>
Total		\$ 404,840,000	\$ 34,560,000	\$ 148,785,000	\$ 221,495,000

FOURTH STATE BUILDINGS BONDS COMPOSITE SCHEDULE OF DEBT SERVICE REQUIREMENTS

<u>FISCAL YEAR</u>	<u>PRINCIPAL</u>	<u>INTEREST</u>	<u>TOTAL</u>
1996	\$ 1,380,000.00	\$ 4,311,020.00	\$ 5,691,020.00
1997	1,480,000.00	7,773,776.25	9,253,776.25
1998	4,260,000.00	11,177,882.50	15,437,882.50
1999	5,625,000.00	13,406,382.50	19,031,382.50
2000	5,900,000.00	13,077,082.50	18,977,082.50
2001	6,160,000.00	12,716,357.50	18,876,357.50
2002	6,470,000.00	12,339,770.00	18,809,770.00
2003	6,765,000.00	11,156,394.27	17,921,394.27
2004	7,080,000.00	10,498,993.76	17,578,993.76
2005	7,410,000.00	10,043,368.76	17,453,368.76
2006	5,270,000.00	9,582,612.52	14,852,612.52
2007	6,990,000.00	9,245,512.52	16,235,512.52
2008	9,415,000.00	8,863,000.02	18,278,000.02
2009	9,840,000.00	8,433,845.02	18,273,845.02
2010	10,325,000.00	7,931,595.02	18,256,595.02
2011	10,835,000.00	7,413,520.02	18,248,520.02
2012	11,365,000.00	6,868,105.02	18,233,105.02
2013	11,930,000.00	6,295,417.52	18,225,417.52
2014	12,440,000.00	5,778,449.39	18,218,449.39
2015	12,965,000.00	5,234,833.76	18,199,833.76
2016	13,620,000.00	4,577,448.76	18,197,448.76
2017	14,310,000.00	3,885,731.26	18,195,731.26
2018	15,050,000.00	3,157,950.00	18,207,950.00
2019	15,825,000.00	2,389,325.00	18,214,325.00
2020	16,565,000.00	1,642,887.50	18,207,887.50
2021	11,470,000.00	1,051,625.00	12,521,625.00
2022	11,990,000.00	522,675.00	12,512,675.00
2023	<u>3,320,000.00</u>	<u>166,000.00</u>	<u>3,486,000.00</u>
TOTAL	\$ 256,055,000.00	\$ 199,541,561.37	\$ 455,596,561.37

PUBLIC DEBT

WATER POLLUTION CONTROL BONDS DEBT SERVICE

Missouri voters have authorized the state to sell \$725 million in water pollution control bonds under the provisions of Article III, Section 37, Missouri Constitution. Increments of bonds are then authorized by the General Assembly and issued on a cash-as-needed basis to fund wastewater treatment projects approved by the Missouri Clean Water Commission. Currently, \$544.5 million in bonds, excluding refunding issuances, have been issued. General revenue is transferred to the water pollution control bond and interest fund one year in advance of its appropriation for principal and interest payments.

Fiscal Year 2004 Governor's Recommendations

- \$33,054,470 for the transfer of funds for debt service on water pollution control bonds currently outstanding, including \$32,066,823 general revenue.

SUMMARY OF WATER POLLUTION CONTROL BOND ISSUANCES

<u>Issuance</u>	<u>Final Maturity Fiscal Year</u>	<u>Principal Amount Issued</u>	<u>Principal Amount Repaid</u>	<u>Principal Amount Refunded</u>	<u>Principal Outstanding As of 1/1/03</u>
Series A 1972	1997	\$ 20,000,000	\$ 20,000,000	\$ 0	\$ 0
Series A 1974	1999	8,000,000	8,000,000	0	0
Series B 1974	1995	15,000,000	15,000,000	0	0
Series A 1977	1997	31,494,240	31,494,240	0	0
Series A 1981	Refunded	20,000,000	3,060,000	16,940,000	0
Series A 1983	Refunded	20,000,000	3,585,000	16,415,000	0
Series B 1983	Refunded	10,000,000	375,000	9,625,000	0
Series A 1985	Refunded	20,000,000	425,000	19,575,000	0
Series A 1986	Refunded	60,000,000	13,600,000	46,400,000	0
Series B 1987	Refunded	35,000,000	4,305,000	30,695,000	0
Series A 1989	Refunded	35,000,000	7,720,000	27,280,000	0
Series A 1991	Refunded	35,000,000	7,650,000	27,350,000	0
Series A 1992	2018	35,000,000	8,440,000	26,560,000	0
Series A 1993	2019	30,000,000	6,705,000	22,350,000	945,000
Series A 1995	2020	30,000,000	4,770,000	22,520,000	2,710,000
Series A 1996	2022	35,000,000	4,975,000	25,900,000	4,125,000
Series A 1998	2023	35,000,000	3,405,000	0	31,595,000
Series A 1999	2025	20,000,000	1,385,000	0	18,615,000
Series A 2001	2026	20,000,000	470,000	0	19,530,000
Series A 2002	2028	30,000,000	0	0	30,000,000
Totals Excluding Refunding Issuances		\$ 544,494,240	\$ 145,364,240	\$ 291,610,000	\$ 107,520,000
Series A 1987 Refunding	Refunded	49,715,000	16,475,000	33,240,000	0
Series B 1991 Refunding	Refunded	17,435,000	6,080,000	11,355,000	0
Series C 1991 Refunding	Refunded	33,575,000	11,700,000	21,875,000	0
Series B 1992 Refunding	Refunded	50,435,000	16,840,000	33,595,000	83,540,000
Series B 1993 Refunding	2017	109,415,000	25,875,000	0	147,710,000
Series B 2002 Refunding	2022	147,710,000	0	0	0
Totals Including Refunding Issuances		\$ 952,779,240	\$ 222,334,240	\$ 391,675,000	\$ 338,770,000

PUBLIC DEBT

**WATER POLLUTION CONTROL BONDS
COMPOSITE SCHEDULE OF DEBT SERVICE REQUIREMENTS**

<u>FISCAL YEAR</u>	<u>PRINCIPAL</u>	<u>INTEREST</u>	<u>TOTAL</u>
1973	\$ 570,000.00	\$ 930,188.68	\$ 1,500,188.68
1974	485,000.00	986,240.00	1,471,240.00
1975	705,000.00	1,751,569.56	2,456,569.56
1976	1,105,000.00	2,145,455.00	3,250,455.00
1977	1,160,000.00	2,080,357.50	3,240,357.50
1978	2,129,240.00	3,259,522.70	5,388,762.70
1979	2,240,000.00	3,405,992.50	5,645,992.50
1980	2,355,000.00	3,278,505.00	5,633,505.00
1981	2,475,000.00	3,146,440.00	5,621,440.00
1982	3,135,000.00	4,730,807.06	7,865,807.06
1983	3,165,000.00	4,694,670.00	7,859,670.00
1984	3,580,000.00	6,591,015.00	10,171,015.00
1985	3,915,000.00	6,805,965.00	10,720,965.00
1986	4,325,000.00	8,378,860.00	12,703,860.00
1987	4,650,000.00	10,567,758.28	15,217,758.28
1988	4,840,000.00	11,131,392.44	15,971,392.44
1989	6,805,000.00	13,815,388.63	20,620,388.63
1990	7,225,000.00	14,573,892.38	21,798,892.38
1991	8,240,000.00	15,275,401.13	23,515,401.13
1992	8,770,000.00	14,529,565.51	23,299,565.51
1993	10,110,000.00	16,610,720.57	26,720,720.57
1994	11,540,000.00	15,670,014.33	27,210,014.33
1995	13,690,000.00	16,312,826.27	30,002,826.27
1996	13,880,000.00	17,131,521.28	31,011,521.28
1997	14,790,000.00	17,175,506.28	31,965,506.28
1998	12,605,000.00	17,258,681.28	29,863,681.28
1999	14,210,000.00	18,152,123.78	32,362,123.78
2000	14,525,000.00	17,798,035.65	32,323,035.65
2001	15,690,000.00	17,488,317.53	33,178,317.53
2002	16,375,000.00	17,663,053.78	34,038,053.78
2003	15,325,000.00	15,878,275.62	31,203,275.62
2004	12,470,000.00	16,080,607.54	28,550,607.54
2005	17,705,000.00	15,349,467.54	33,054,467.54
2006	21,500,000.00	14,373,560.04	35,873,560.04
2007	22,620,000.00	13,294,631.29	35,914,631.29
2008	24,165,000.00	12,211,877.54	36,376,877.54
2009	23,265,000.00	11,112,773.16	34,377,773.16
2010	22,205,000.00	9,967,683.16	32,172,683.16
2011	21,480,000.00	8,877,186.29	30,357,186.29
2012	17,230,000.00	7,925,169.41	25,155,169.41
2013	18,130,000.00	7,057,502.52	25,187,502.52
2014	15,930,000.00	6,277,511.27	22,207,511.27
2015	16,695,000.00	5,532,582.52	22,227,582.52
2016	14,610,000.00	4,761,430.02	19,371,430.02
2017	15,370,000.00	4,016,835.64	19,386,835.64
2018	13,625,000.00	3,295,678.76	16,920,678.76
2019	11,570,000.00	2,674,385.01	14,244,385.01
2020	9,885,000.00	2,165,548.76	12,050,548.76
2021	8,020,000.00	1,762,818.76	9,782,818.76
2022	8,400,000.00	1,371,940.63	9,771,940.63
2023	6,235,000.00	1,014,225.00	7,249,225.00
2024	4,105,000.00	695,668.75	4,800,668.75
2025	4,320,000.00	484,062.50	4,804,062.50
2026	3,110,000.00	300,893.75	3,410,893.75
2027	1,875,000.00	145,375.00	2,020,375.00
2028	1,970,000.00	49,250.00	2,019,250.00
TOTAL	\$ 561,104,240.00	\$ 470,016,727.60	\$ 1,031,120,967.60

Total principal includes refunding excess of \$21,700,000, which does not count toward the \$725 million constitutional authorization.

PUBLIC DEBT

STORMWATER CONTROL BONDS BUDGET YEAR ISSUANCE

Missouri voters have authorized the state to sell \$200 million in stormwater control bonds under the provisions of Article III, Section 37, Missouri Constitution. This appropriation provides principal and interest on stormwater control bonds to be authorized by the General Assembly. Currently, \$45 million in bonds have been issued. General revenue is transferred to the stormwater control bond and interest fund one year in advance of its appropriation for payment of principal and interest.

Fiscal Year 2004 Governor's Recommendations

- \$3,182,135 for the transfer of general revenue for debt service or stormwater control bonds currently outstanding.

SUMMARY OF STORMWATER CONTROL BOND ISSUANCES

<u>Issuance</u>	<u>Final Maturity Fiscal Year</u>	<u>Principal Amount Issued</u>	<u>Principal Amount Repaid</u>	<u>Principal Amount Refunded</u>	<u>Principal Outstanding As of 1/1/03</u>
Series A 1999	2025	\$ 20,000,000	\$ 1,385,000	\$ 0	\$ 18,615,000
Series A 2001	2026	10,000,000	235,000	0	9,765,000
Series A 2002	2028	<u>15,000,000</u>	<u>0</u>	<u>0</u>	<u>15,000,000</u>
TOTAL		\$ 45,000,000	\$ 1,620,000	\$ 0	\$ 43,380,000

STORMWATER CONTROL BONDS COMPOSITE SCHEDULE OF DEBT SERVICE REQUIREMENTS

<u>FISCAL YEAR</u>	<u>PRINCIPAL</u>	<u>INTEREST</u>	<u>TOTAL</u>
2000	\$ 0.00	\$ 541,461.88	\$ 541,461.88
2001	445,000.00	1,070,352.51	1,515,352.51
2002	695,000.00	1,535,101.26	2,230,101.26
2003	725,000.00	1,820,680.01	2,545,680.01
2004	1,095,000.00	2,093,433.76	3,188,433.76
2005	1,145,000.00	2,037,133.76	3,182,133.76
2006	1,190,000.00	1,986,508.76	3,176,508.76
2007	1,245,000.00	1,938,526.26	3,183,526.26
2008	1,295,000.00	1,887,022.51	3,182,022.51
2009	1,345,000.00	1,829,991.88	3,174,991.88
2010	1,405,000.00	1,758,241.88	3,163,241.88
2011	1,460,000.00	1,685,507.51	3,145,507.51
2012	1,520,000.00	1,618,090.64	3,138,090.64
2013	1,590,000.00	1,547,425.02	3,137,425.02
2014	1,665,000.00	1,471,560.02	3,136,560.02
2015	1,745,000.00	1,391,365.02	3,136,365.02
2016	1,825,000.00	1,305,925.02	3,130,925.02
2017	1,915,000.00	1,212,319.39	3,127,319.39
2018	2,010,000.00	1,112,778.76	3,122,778.76
2019	2,110,000.00	1,010,816.26	3,120,816.26
2020	2,220,000.00	903,061.26	3,123,061.26
2021	2,330,000.00	788,631.26	3,118,631.26
2022	2,445,000.00	667,321.88	3,112,321.88
2023	2,565,000.00	538,581.25	3,103,581.25
2024	2,700,000.00	402,912.50	3,102,912.50
2025	2,840,000.00	260,612.50	3,100,612.50
2026	1,555,000.00	150,387.50	1,705,387.50
2027	935,000.00	72,625.00	1,007,625.00
2028	<u>985,000.00</u>	<u>24,625.00</u>	<u>1,009,625.00</u>
TOTAL	\$ 45,000,000.00	\$ 34,663,000.26	\$ 79,663,000.26

PUBLIC DEBT

THIRD STATE BUILDING BONDS DEBT SERVICE

Missouri voters approved \$600 million in third state building bonds to be used for capital improvement projects at state facilities and for specific types of local economic development projects under Article III, Section 37, Missouri Constitution. The General Assembly authorized issuance of \$75 million for Fiscal Year 1983, \$50 million for Fiscal Year 1984, \$75 million for Fiscal Year 1985, and \$400 million for Fiscal Year 1986. Bonds were then sold on a cash-as-needed basis to meet scheduled construction timetables. With the final sale of \$75 million on December 1, 1987, all \$600 million in voter-approved bonds have been issued.

This appropriation provides for principal and interest payments on third state building bonds now outstanding. The money is transferred from general revenue to the third state building bond interest and sinking fund one year in advance of its appropriation.

Fiscal Year 2004 Governor's Recommendations

- \$50,830,780 for the transfer of general revenue for debt service on third state building bonds currently outstanding.

SUMMARY OF THIRD STATE BUILDING BOND ISSUANCES

<u>Issuance</u>	<u>Final Maturity Fiscal Year</u>	<u>Principal Amount Issued</u>	<u>Principal Amount Repaid</u>	<u>Principal Amount Refunded</u>	<u>Principal Outstanding As of 1/1/03</u>
Series A 1983	Refunded	\$ 40,000,000	\$ 7,165,000	\$ 32,835,000	\$ 0
Series B 1983	Refunded	35,000,000	1,325,000	33,675,000	0
Series A 1984	Refunded	50,000,000	1,870,000	48,130,000	0
Series A 1985	Refunded	75,000,000	1,625,000	73,375,000	0
Series A 1986	Refunded	325,000,000	73,645,000	251,355,000	0
Series B 1987	Refunded	<u>75,000,000</u>	<u>9,220,000</u>	<u>65,780,000</u>	<u>0</u>
Totals Excluding Refunding Issuances		\$ 600,000,000	\$ 94,850,000	\$ 505,150,000	\$ 0
Series A 1987 Refunding	Refunded	170,115,000	56,390,000	113,725,000	0
Series A 1991 Refunding	Refunded	34,870,000	11,935,000	22,935,000	0
Series B 1991 Refunding	Refunded	71,955,000	24,635,000	47,320,000	0
Series A 1992 Refunding	Refunded	273,205,000	92,035,000	181,170,000	0
Series A 1993 Refunding	2013	148,480,000	57,005,000	0	91,475,000
Series A 2002 Refunding	2013	<u>211,630,000</u>	<u>0</u>	<u>0</u>	<u>211,630,000</u>
Totals Including Refunding Issuances		\$ 1,510,255,000	\$ 336,850,000	\$ 870,300,000	\$ 303,105,000

PUBLIC DEBT

**THIRD STATE BUILDING BONDS
COMPOSITE SCHEDULE OF DEBT SERVICE REQUIREMENTS**

<u>FISCAL YEAR</u>		<u>PRINCIPAL</u>		<u>INTEREST</u>		<u>TOTAL</u>
1984	\$	470,000.00	\$	4,842,987.50	\$	5,312,987.50
1985		1,490,000.00		11,034,230.00		12,524,230.00
1986		2,270,000.00		17,725,712.50		19,995,712.50
1987		2,745,000.00		30,902,276.22		33,647,276.22
1988		5,865,000.00		36,209,164.83		42,074,164.83
1989		11,430,000.00		44,179,397.16		55,609,397.16
1990		12,280,000.00		43,153,872.16		55,433,872.16
1991		13,235,000.00		42,050,290.91		55,285,290.91
1992		14,230,000.00		37,998,667.16		52,228,667.16
1993		15,755,000.00		36,585,883.33		52,340,883.33
1994		17,280,000.00		32,547,322.96		49,827,322.96
1995		20,000,000.00		30,798,942.51		50,798,942.51
1996		21,550,000.00		29,172,938.76		50,722,938.76
1997		23,175,000.00		27,523,861.26		50,698,861.26
1998		23,985,000.00		25,883,931.26		49,868,931.26
1999		28,305,000.00		24,158,196.88		52,463,196.88
2000		30,345,000.00		22,248,060.00		52,593,060.00
2001		31,485,000.00		20,471,257.50		51,956,257.50
2002		31,615,000.00		18,933,312.50		50,548,312.50
2003		29,340,000.00		14,477,728.61		43,817,728.61
2004		19,370,000.00		14,050,445.00		33,420,445.00
2005		38,015,000.00		12,815,780.00		50,830,780.00
2006		39,090,000.00		11,034,195.00		50,124,195.00
2007		41,485,000.00		9,026,465.00		50,511,465.00
2008		43,965,000.00		7,036,540.00		51,001,540.00
2009		41,880,000.00		5,029,682.50		46,909,682.50
2010		36,575,000.00		3,057,650.00		39,632,650.00
2011		32,080,000.00		1,337,140.00		33,417,140.00
2012		5,160,000.00		405,035.00		5,565,035.00
2013		5,485,000.00		137,732.50		5,622,732.50
TOTAL	\$	639,955,000.00	\$	614,828,699.01	\$	1,254,783,699.01

Total principal includes refunding excess of \$56,815,000 which does not count toward the \$600 million constitutional authorization.

DEPARTMENT OF ELEMENTARY AND SECONDARY EDUCATION

FINANCIAL SUMMARY

	FY 2002 EXPENDITURE	FY 2003 APPROPRIATION	FY 2004 REQUEST	GOVERNOR RECOMMENDS FY 2004
Division of General Administration	\$ 3,588,659,636	\$ 3,775,528,516	\$ 4,093,163,666	\$ 3,778,331,802
Divisions of School Improvement/Teacher				
Quality and Urban Education	305,874,423	423,226,700	432,529,700	426,719,953
Division of Vocational Rehabilitation	133,555,817	165,520,408	171,857,544	172,048,996
Division of Vocational and Adult Education	56,739,926	68,240,832	74,240,832	73,987,973
Division of Special Education	176,605,771	213,596,079	240,337,099	237,954,839
Board Operated School Programs	1,115,493	1,555,000	1,555,000	1,555,000
Missouri Occupational Information				
Coordinating Committee	270,813	281,010	281,010	0
Commission for the Deaf	386,816	476,873	551,873	542,587
DEPARTMENTAL TOTAL	\$ 4,263,208,695	\$ 4,648,425,418 *	\$ 5,014,516,724	\$ 4,691,141,150
General Revenue Fund	260,756,235	250,761,147	280,121,727	261,014,363
Federal Funds	648,557,824	880,523,083	926,534,814	927,149,039
School District Bond Fund**	7,000,000	4,000,000	4,000,000	450,000
Certification of Interpreters Fund	85,001	100,000	125,000	125,000
School Building Revolving Fund	0	1,500,000	1,500,000	1,500,000
Independent Living Center Fund	191,055	210,000	210,000	210,000
Outstanding Schools Trust Fund***	541,741,799	493,588,583	421,214,267	394,400,000
Bingo Proceeds for Education Fund	1,707,161	1,707,167	1,707,167	1,707,167
Lottery Proceeds Fund	86,510,757	112,588,683	113,263,683	116,789,138
VIDEO Fund****	1,135,424	600,000	0	0
State School Moneys Fund*****	1,971,284,164	2,145,806,917	2,516,063,087	2,244,258,371
Handicapped Children's Trust Fund	0	30,000	30,000	30,000
Healthy Families Trust Fund-Early Childhood				
Care and Education Account	4,092,500	0	0	0
Healthy Families Trust Fund-Life Sciences				
Research Account	0	100,000	0	0
Excellence in Education Fund	1,432,406	2,929,210	2,929,210	2,929,210
Fair Share Fund	22,921,397	22,929,326	23,225,250	23,225,250
School District Trust Fund	665,079,037	691,456,241	693,947,458	693,947,458
Missouri Commission for the Deaf				
and Hard of Hearing Fund	0	0	50,000	50,000
State Public School Fund	21,242,472	10,000,000	0	0
Early Childhood Development,				
Education and Care Fund	28,355,970	28,070,061	28,070,061	21,831,154
School for the Blind Trust Fund	1,103,993	1,500,000	1,500,000	1,500,000
School for the Deaf Trust Fund	11,500	25,000	25,000	25,000
Full-time equivalent employees	1,986.38	2,079.43	2,079.43	2,055.78

* Does not include \$7,898,860 recommended in the Fiscal Year 2003 Supplemental Appropriations. See the Supplemental section of the Missouri Budget for details regarding Department of Elementary and Secondary Education supplemental appropriations.

** The school district bond fund received the following transfers from the gaming proceeds for education fund: \$7,000,000 in Fiscal Year 2002 expenditure, \$2,271,458 in Fiscal Year 2003 appropriation, and \$450,000 in Governor recommends for Fiscal Year 2004.

*** The outstanding schools trust fund received the following transfers from general revenue: \$451,300,000 in Fiscal Year 2002 expenditure, \$421,300,000 in Fiscal Year 2003 appropriation, and \$394,400,000 in Governor recommends for Fiscal Year 2004.

**** The VIDEO fund received transfers from general revenue of \$669,693 in Fiscal Year 2002 expenditure.

***** The state school moneys fund received the following transfers from general revenue: \$1,727,466,154 in Fiscal Year 2002, \$1,817,575,342 in Fiscal Year 2003 appropriation, and \$1,767,779,430 in Governor recommends for Fiscal Year 2004.

The schools for the future fund received an appropriation of \$126,517,000 in Fiscal Year 2003.

DEPARTMENT OF ELEMENTARY AND SECONDARY EDUCATION

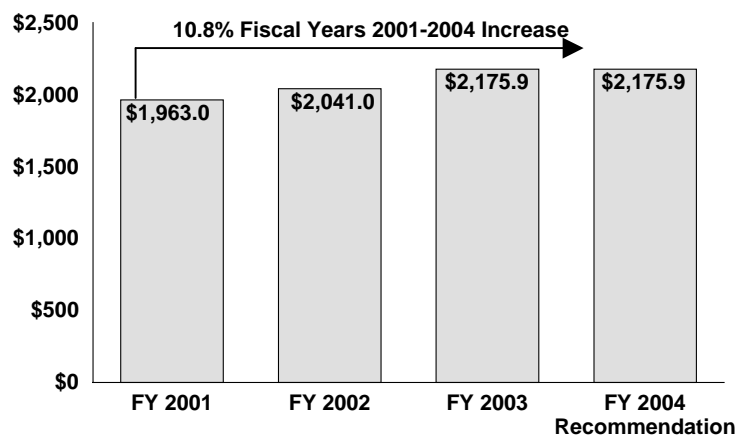
POLICY SUMMARY

Governor Holden's commitment to improving education for our students comes with a belief that Missouri has a moral responsibility to support its public schools and to continue the progress already made in education. The Governor's recommendations for Fiscal Year 2004 support his five major goals: making sure our children are ready to learn when they enter school; elevating the professional status of teaching; enhancing student performance standards and school accountability; reducing class size so students can receive more individual attention; and increasing the emphasis on personal character and discipline among our students.

A weakened economy and considerable growth in mandatory programs like Medicaid has resulted in the most significant challenge the state has faced since the Depression. The Fiscal Year 2004 budget includes substantial core reductions. However, the budget also recognizes that the state cannot cut its way out of the current fiscal problems without severely reducing essential services provided to Missourians. General revenue budget increases have been limited to mandatory programs. Governor Holden's priorities are protecting the state's investment in education and ensuring that our most vulnerable citizens – children, the elderly, and disabled – are shielded to the greatest extent possible from budget reductions.

While the State is faced with declining revenue and core cuts across state government, the Governor has shielded the foundation formula from cuts. Governor Holden recommends \$168.5 million to continue funding the foundation equity formula and At-Risk Program at the current Fiscal Year 2003 appropriation level.

**Fiscal Year 2004
Funding for the Foundation Equity Formula
and At-Risk Program
(in millions)**



Enhancing Equity for School Children

- \$168.5 million for the foundation equity formula and At-Risk Program, maintaining total funding to \$2.18 billion.

Ensuring Accountability and Innovation

- Outstanding Schools Waivers – no cost. Schools that consistently perform at exemplary levels in the statewide assessment system will be granted Outstanding Schools Waivers. These waivers of rules and regulations promote flexibility and innovation in the operations of the school, encourage efficiency, and promote school-centered decision making.
- Academically Deficient Schools – funding included in the foundation formula increase. Schools that repeatedly fail to provide their students with an adequate education may be declared academically deficient. Funds will be made available through a portion of one percent of the foundation formula funding set aside to address statewide areas of critical need to help these schools recover from academic deficiency.
- Professional Development and Training for Educators – one percent of a school district's foundation formula money is allocated for professional development for teachers. Also, an additional one percent of the total foundation formula appropriation will be targeted to statewide areas of critical need.

DEPARTMENT OF ELEMENTARY AND SECONDARY EDUCATION

POLICY SUMMARY (Continued)

DIRECT STATE AID TO LOCAL SCHOOLS: Governor Holden's Fiscal Year 2004 budget includes \$3.6 billion in direct state aid to local public schools. In addition to the increase in the foundation formula and other programs discussed earlier, increases in direct state aid to local schools include:

- \$11.7 million for Early Childhood Special Education for educational services provided to three- and four-year-old children with disabilities, bringing total state funding to \$81.3 million.
- \$2.8 million for payments to public schools for students placed by the Department of Social Services and the Department of Mental Health.
- \$2.5 million from Proposition C sales tax revenue.
- \$300,000 from Fair Share Cigarette tax revenue.

STATE AID TO LOCAL SCHOOL DISTRICTS (Not Including Desegregation)

	<u>FY 2003 APPROPRIATION</u>	<u>FY 2004 RECOMMENDATION</u>
School Foundation Program		
Equity Formula and At-Risk	\$ 2,175,891,721	\$ 2,175,891,721
Transportation	162,067,713	162,067,713
Gifted	24,870,104	24,870,104
Special Education	149,617,982	149,617,982
Remedial Reading	11,096,925	11,096,925
Early Childhood Special Education	69,621,995	81,274,784
Career Ladder	38,454,774	38,069,056
Vocational Education	52,880,428	52,880,428
Parents As Teachers	<u>30,304,651</u>	<u>30,304,651</u>
Subtotal Foundation Program	\$ 2,714,806,293	\$ 2,726,073,364
Other State Aid		
A+ Schools Program	\$ 18,525,000	\$ 18,525,000
Technology Grants	13,969,696	8,833,381
Adult Literacy	500,000	500,000
Safe Schools Grants	7,675,000	7,122,368
Proposition C Sales Tax	691,456,241	693,947,458
Fair Share Cigarette Tax	22,929,326	23,225,250
Free Textbook Fund	74,225,850	89,650,000
School Food Program	3,460,219	3,460,219
Early Childhood Program	15,136,800	16,545,112
DSS/DMH School Placements	<u>7,293,331</u>	<u>10,099,537</u>
Subtotal Other State Aid	\$ 855,171,463	\$ 871,908,325
Total State Aid to Local Schools	\$ 3,569,977,756	\$ 3,597,981,689

EDUCATION ACCOUNTABILITY: Governor Holden believes every child is entitled to a quality education. The Governor has made it a priority to increase the accountability of Missouri schools. In 2001, the Governor secured passage of legislation to provide report cards for each school to parents, school patrons, taxpayers, and their communities. In 2002, the Governor signed into law House Bill 1711, which created an accountability system that rewards high-performing schools and places certain requirements on schools not meeting academic standards. Since 1995, the Missouri Assessment Program (MAP) has been the cornerstone for measuring educational accountability. In Fiscal Year 2003, the General Assembly reduced funding for MAP to reimburse school districts for assessments in communications and math only. To continue his commitment to accountability, the Governor recommends \$4.4 million to reinstate assessments in the areas of science, social studies, and health/physical education.

DEPARTMENT OF ELEMENTARY AND SECONDARY EDUCATION

POLICY SUMMARY (Continued)

SPECIAL EDUCATION: The Governor recommends \$20 million federal funds for special education services mandated by federal law. This funding will provide grants to local school districts to support services for students with disabilities.

AFTER SCHOOL PROGRAMMING: The Governor recommends \$6 million federal funds for after school programs. This funding provides local competitive grants to school districts and community-based organizations to establish or enhance after school programs. Quality after school programs provide drug and violence prevention programs, technology education programs, art and music programs, counseling, and character education to enhance the academic component of the programs.

TRANSITION TO TEACHING PROJECT: The Governor recommends \$1 million federal funds to provide individuals with temporary certificates the necessary skills to become quality teachers. Missouri school districts are recruiting more non-traditional candidates to fill teaching positions to solve the increasing need for teachers in certain geographic and subject areas. This funding will assist non-traditional candidates to become successful classroom teachers.

CHARACTER EDUCATION: The Governor recommends \$600,000 federal funds for character education. The Missouri Characterplus Project provides character education teacher training and resources to Missouri school districts. The training and resources allow schools to emphasize the importance of universal values, such as responsibility, respect, trustworthiness, fairness, caring, and citizenship.

GAMING REVENUES FOR EDUCATION:

Lottery Proceeds for Education

During Fiscal Year 2004, \$191.1 million will be available from lottery revenues. Of this amount, \$116.8 million will support programs in the Department of Elementary and Secondary Education. More information about lottery funds can be found in the Higher Education section of the Missouri Budget.

Riverboat Gaming Proceeds for Education

All riverboat gaming proceeds in excess of the amount transferred to the school district bond fund must be transferred by law to the state school moneys fund for the foundation formula. For Fiscal Year 2004, the Governor recommends transferring \$450,000 in gaming proceeds to the school district bond fund for use by the Missouri Health and Education Facilities Authority (MOHEFA) to pay costs associated with credit enhancement. The Governor recommends that the remaining \$318.5 million be transferred to the state school moneys fund. The Governor also recommends transferring \$106.3 million to the state school moneys fund resulting from an increase in riverboat admission fees.

DEPARTMENT OF ELEMENTARY AND SECONDARY EDUCATION

POLICY SUMMARY (Continued)

PERFORMANCE MEASURES

Table I: Some performance measures the Department of Elementary and Secondary Education uses to evaluate student achievement follow:

	2000	2001	2002
*Percent of students scoring at or above the targeted skill level			
-4th grade math	37%	38%	38%
-8th grade math	14%	15%	14%
-10th grade math	10%	13%	11%
-3rd grade science	45%	46%	48%
-7th grade science	15%	14%	14%
-10th grade science	6%	9%	5%
-3rd grade communication arts	32%	32%	35%
-7th grade communication arts	32%	34%	32%
-11th grade communication arts	23%	23%	24%
-4th grade social studies	38%	42%	40%
-8th grade social studies	42%	42%	42%
-11th grade social studies	17%	20%	16%
-5th grade health/physical education	39%	43%	55%
-9th grade health/physical education	21%	39%	24%
Average annual dropout rate among Missouri public school students, grades 9-12	4.3%	4.5%	3.8%
Graduation rate among Missouri public high school students	80.3%	81.4%	82.5%
Percent of 18-year-olds with a high school diploma or GED	86.4%	87.5%	89.6%
Average ACT scores of Missouri high school graduates	21.6	21.4	21.4
Percent of vocational education graduates continuing their education or employed	93.2%	94.1%	N/A

Social studies results for 1999 and health/physical education results for 2000 are based on voluntary administration of the assessment. Mandatory administration, in which all districts participate, began in 1998 for math, 1999 for science and communication arts, 2000 for social studies, and 2001 for health/physical education.

Table 2: A key performance measure the Department of Elementary and Secondary Education uses to evaluate early childhood care and education follows:

	1999	2000	2001
*Percent of children with average or above average school readiness skills	75%	76%	79%

* The Missouri School Entry Assessment was conducted for the first time during the 1998-1999 school year. The assessment is based on a statewide sample of kindergarten students and provides important information about what children entering Missouri's public kindergartens know and can do, as well as their preschool experiences.

**DEPARTMENT OF ELEMENTARY AND SECONDARY EDUCATION
GENERAL ADMINISTRATION**

FINANCIAL SUMMARY

	FY 2002 EXPENDITURE	FY 2003 APPROPRIATION	GOVERNOR RECOMMENDS FY 2004
Administrative and Financial Services	\$ 9,554,420	\$ 11,269,419	\$ 11,325,001
State Public School Fund	21,242,472	10,000,000	0
Court-Ordered Payments	20,000,000	20,000,000	16,500,000
School Foundation Program Distribution	2,630,923,483	2,782,823,211	2,774,598,686
Early Grade Literacy/Professional Development	492,499	550,000	500,000
School Food Services	138,326,590	141,773,569	151,635,407
School Building Revolving Fund	0	1,500,000	1,500,000
Special School Advisors	493	900	0
Fair Share Distribution	22,921,397	22,929,326	23,225,250
School District Trust Fund Distribution	665,079,037	691,456,241	693,947,458
County Foreign Insurance Tax	71,752,937	74,225,850	89,650,000
School District Bond Intercept Program	7,000,000	4,000,000	450,000
Federal Grants and Donations	1,366,308	15,000,000	15,000,000
TOTAL	\$ 3,588,659,636	\$ 3,775,528,516	\$ 3,778,331,802
General Revenue Fund	143,279,210	144,850,028	156,233,993
Federal Funds	141,485,964	161,744,371	171,759,480
Bingo Proceeds for Education Fund	1,707,161	1,707,167	1,707,167
Other Funds	3,302,187,301	3,467,226,950	3,448,631,162
Full-time equivalent employees	1,027.89	1,028.37	1,014.72

ADMINISTRATIVE AND FINANCIAL SERVICES

The Department of Elementary and Secondary Education is supervised by the State Board of Education, which consists of eight members appointed for eight-year terms by the Governor with the advice and consent of the Senate. The board appoints the Commissioner of Education as its chief administrative officer.

The Division of Administrative and Financial Services consists of all internal and external business functions of the department. It is responsible for distributing all federal and state funds to local school districts and other agencies. The external areas consist of the school finance, school food services, and school governance and facilities sections. School finance and school governance jointly administer the school transportation program. The internal business areas consist of accounting and procurement, human resources, budget, research and planning, printing and publications, mail services, information technology, and telecommunications. The school finance section calculates each school district's share of the foundation formula distribution and other sources of state aid.

Fiscal Year 2004 Governor's Recommendations

- \$200,000 federal funds for expense and equipment related to the federal No Child Left Behind Act of 2001.
- \$15,000 for pay plan, including \$11,729 general revenue.
- (\$159,418) and (4.65) staff in core reduction from the Fiscal Year 2003 appropriation level.

STATE PUBLIC SCHOOL FUND

The state public school fund is a non-expendable trust fund consisting of all moneys, bonds, lands, and other properties belonging to or donated to the state for school purposes and the proceeds of all sales of land and other property that accrue to the state by escheat. Only the interest earned from the investments is appropriated for the support of public schools.

Fiscal Year 2004 Governor's Recommendations

- (\$10,000,000) state public school fund core reduction from the Fiscal Year 2003 appropriation level.

DEPARTMENT OF ELEMENTARY AND SECONDARY EDUCATION

GENERAL ADMINISTRATION (Continued)

COURT-ORDERED PAYMENTS

Court supervision of the St. Louis and Kansas City school districts ended in 1999. State desegregation payments in the Kansas City case ended in Fiscal Year 1999 pursuant to a settlement in 1997. With passage of SB 781 in 1998, local voter approval of matching funds in February 1999, and court approval in March 1999, St. Louis desegregation operating budget payments were ended in Fiscal Year 1999, while transfer costs and capital improvement payments will be phased out. Fiscal Year 2001 payments totaled \$50 million, with \$25 million for voluntary transfer costs and \$25 million for capital costs. The Fiscal Year 2002 and Fiscal Year 2003 budgets included \$20 million for capital outlays in St. Louis. The Fiscal Year 2004 budget includes \$16.5 million for capital outlays in St. Louis. As these payments phase out, savings will be redirected to the school foundation formula for the benefit of school districts across the state.

Fiscal Year 2004 Governor's Recommendations

- (\$3,500,000) transferred to the foundation formula.

FINANCIAL SUMMARY

	FY 2002 EXPENDITURE	FY 2003 APPROPRIATION	GOVERNOR RECOMMENDS FY 2004
Teachers Participating in Career Ladder Program	16,688	17,101	17,380
Early Childhood Development Screenings	137,648	140,401	143,209
Families Served by Parent Education	157,330	160,476	163,685
Students Provided Early Childhood Special Education	9,007	10,097	11,318
Equity Formula	\$ 1,699,809,579	\$ 1,796,679,085	\$ 1,817,560,541
At-Risk Program	342,076,077	354,312,636	358,331,180
Transportation	162,067,242	162,067,713	162,067,713
Special Education	149,616,752	149,617,982	149,617,982
Remedial Reading	11,076,764	11,096,925	11,096,925
Early Childhood Special Education	68,448,340	69,621,995	81,274,784
Gifted Programs	24,869,772	24,870,104	24,870,104
Career Ladder	38,082,775	38,454,774	38,069,056
Vocational Education	53,272,768	52,880,428	52,880,428
Early Childhood Development	33,534,391	30,304,651	30,304,651
State Board Operated Schools	48,069,023	48,916,918	48,525,322
Formula Contingent Funding	0	44,000,000	0
TOTAL	\$ 2,630,923,483	\$ 2,782,823,211	\$ 2,774,598,686
General Revenue Fund	44,412,641	44,132,170	43,740,574
Federal Funds	1,949,221	3,077,581	3,077,581
Outstanding Schools Trust Fund	540,539,118	492,371,792	393,183,209
Bingo Proceeds for Education Fund	1,707,161	1,707,167	1,707,167
Lottery Proceeds Fund	58,707,960	88,240,365	88,792,997
State School Moneys Fund	1,971,127,640	2,145,646,917	2,244,097,158
Healthy Families Trust Fund-Early Childhood			
Care and Education Account	4,092,500	0	0
Early Childhood Development, Education and Care Fund	8,387,242	7,647,219	0
Full-time equivalent employees	896.98	923.72	914.72

DEPARTMENT OF ELEMENTARY AND SECONDARY EDUCATION

GENERAL ADMINISTRATION (Continued)

SCHOOL FOUNDATION PROGRAM DISTRIBUTION

The foundation formula provides equitable education funding for school children. The formula apportions money to school districts based on local effort as measured by the local property tax levy for school purposes and on local wealth. Increased local effort results in higher state funding, while increased local wealth results in lower state funding. Fully funded, the formula ensures that a one-penny levy provides the same funding to 95 percent of all students from a combination of equity formula and local property tax revenues.

In addition, the Foundation Program includes funding for seven categorical add-on programs, including programs for special needs students, transportation, special education, gifted, career ladder, vocational education, and early childhood development programs. Extra funding is also provided to districts based on the number of students eligible for the federal Free- and Reduced-Price Lunch Program. While the money received for this program must be spent on programs for children with special educational needs, the local school district chooses which special needs program will be funded.

If the formula is not fully funded, then the categorical add-on programs may not be fully funded. The system protects against the equity formula being shortchanged and provides more equity in funding. The transportation add-on pays school districts up to 75 percent of the allowable costs of school bus and other transportation. The special education add-on assists districts in providing required educational services to students with disabilities. The special education add-on also includes funding for the Early Childhood Special Education Program that serves children ages three and four. The gifted program add-on provides up to 75 percent of the cost of instructor salaries and materials to provide appropriate opportunities for gifted students.

The Career Ladder Program provides an incentive to teachers, librarians, and counselors who voluntarily participate in professional development activities. The program provides for three career stages with salary supplements of up to \$1,500, \$3,000, and \$5,000. Each stage requires the teacher to obtain a higher level of professional development. This program is financed by state and local matching funds. Each district's local match is determined by its wealth, as measured by its assessed valuation per pupil, with wealthier districts paying a higher local match. In addition, teachers that complete the National Board for Professional Teaching Standards Program are automatically placed in the third career stage.

The Early Childhood Development Program authorizes state reimbursement to school districts that provide any of three programs for preschool children: 1) developmental screening to measure the progress of children and to determine problems, potential problems, or advanced abilities in understanding, use of language, sight, hearing, motor development, health, and physical development; 2) parent education to provide resource materials and guidance to parents to improve learning in the home; and 3) programs for developmentally delayed children to provide individual and group counseling and learning activities to help these children catch up with their peers before entering school.

State funding for vocational education programs serves as an incentive to public schools to offer vocational education programs. Also, some state vocational education funds are distributed to institutions of higher education, state agencies, and business establishments. A complete description of the vocational education distribution can be found later in this budget.

This appropriation also includes state funding for Missouri's State Board Operated Schools. This program is discussed in detail later in this budget.

Fiscal Year 2004 Governor's Recommendations

- \$214,854,846 state school moneys fund for the foundation formula.
- \$23,624,140 lottery proceeds fund for the Transportation Program.
- \$11,652,789 state school moneys fund for early childhood special education.
- \$7,647,219 state school moneys fund for the Parents as Teachers Program.
- \$3,500,000 transferred from court-ordered payments.
- (\$237,454,846) other funds core reduction from the Fiscal Year 2003 appropriation level.
- (\$23,624,140) state school moneys fund core reduction from the Fiscal Year 2003 appropriation level.
- (\$7,647,219) early childhood development, education and care fund core reduction for the Parents as Teachers Program.
- (\$391,596) and (nine) staff in core reduction from the Fiscal Year 2003 appropriation level.
- (\$385,718) state school moneys fund core reduction from the Fiscal Year 2003 appropriation level for career ladder.

DEPARTMENT OF ELEMENTARY AND SECONDARY EDUCATION

GENERAL ADMINISTRATION (Continued)

EARLY GRADE LITERACY PROGRAM

In addition to the professional development provided to teachers through the foundation formula, additional funding has been provided through this program to help improve early literacy teaching statewide. Funds are used to train Reading Recovery teachers across the state in order to encourage school districts to implement a Reading Recovery Program, train Early Literacy teachers who will work with small groups of at-risk students, and train teacher leaders at approved sites.

Fiscal Year 2004 Governor's Recommendations

- (\$50,000) core reduction from the Fiscal Year 2003 appropriation level.

SCHOOL FOOD SERVICES

This program reimburses school districts for food services to enable them to offer nutritionally balanced, low-cost meals for school children. Federal funds, required state matching funds, local funds, and commodities donated by the U.S. Department of Agriculture minimize the meal charge to children.

Fiscal Year 2004 Governor's Recommendations

- \$9,861,838 federal funds for school food services.

SCHOOL BUILDING REVOLVING FUND

The school building revolving fund represents the receipts of all forfeitures of assets for breach of the penal laws. School districts may submit applications for lease purchases from the fund.

Fiscal Year 2004 Governor's Recommendations

Continue funding at the current level.

SPECIAL SCHOOL ADVISORS

Missouri public school teachers who retired prior to July 1, 1957, may apply to become special school advisors and receive a salary supplement of up to \$75 per month from the state to bring their combined income from this program and teacher retirement benefits to \$150 per month.

Fiscal Year 2004 Governor's Recommendations

- (\$900) core reduction from the Fiscal Year 2003 appropriation level.

FAIR SHARE DISTRIBUTION

Tax receipts from four cents per cigarette pack are deposited in the fair share fund established by Section 149.015, RSMo. Funds are distributed to elementary and secondary schools on the basis of average daily attendance of the school district.

Fiscal Year 2004 Governor's Recommendations

- \$295,924 fair share fund for distribution to school districts.

DEPARTMENT OF ELEMENTARY AND SECONDARY EDUCATION

GENERAL ADMINISTRATION (Continued)

SCHOOL DISTRICT TRUST FUND DISTRIBUTION

Proposition C provides a one percent sales tax for elementary and secondary education. Revenue generated by this tax is deposited in the school district trust fund and distributed based on the number of eligible pupils in each school district.

Fiscal Year 2004 Governor's Recommendations

- \$2,491,217 school district trust fund for distribution to school districts.

COUNTY FOREIGN INSURANCE TAX

The county foreign insurance tax represents the receipts of a two percent, per annum tax levied on the direct premiums of insurance companies not based in Missouri but doing business in Missouri. One-half of the net receipts of the county foreign Insurance tax from the previous year are distributed by the state to school districts on the basis of the number of school children within each county pursuant to Section 140.360, RSMo.

Fiscal Year 2004 Governor's Recommendations

- \$15,424,150 for distribution to school districts.

SCHOOL DISTRICT BOND INTERCEPT PROGRAM

SB 301 (1995) created the school district bond fund for use by the Missouri Health and Education Facilities Authority to pay costs associated with school bond issues and credit enhancement. The law allows up to \$7 million per year to be transferred from the gaming proceeds for education fund to the school district bond fund.

Fiscal Year 2004 Governor's Recommendations

- (\$3,550,000) school district bond fund core reduction from the Fiscal Year 2003 appropriation level.

FEDERAL GRANTS AND DONATIONS

The federal grants and donations appropriation provides authority to accept and make use of federal grants and donations that may become available during the fiscal year. The department will notify the House and Senate budget committees and the Office of Administration prior to acceptance of any new financial assistance or grants.

Fiscal Year 2004 Governor's Recommendations

Continue funding at the current level.

DEPARTMENT OF ELEMENTARY AND SECONDARY EDUCATION

DIVISIONS OF SCHOOL IMPROVEMENT/TEACHER QUALITY AND URBAN EDUCATION

DIVISION OF SCHOOL IMPROVEMENT

The Division of School Improvement provides consultant services to administrators and teachers in the areas of instruction and curriculum development. The division classifies and accredits school districts through the Missouri School Improvement Program. The division assists school districts in expanding or improving their curriculum and instructional programs. It administers three Outstanding Schools Act programs and provides payments and local program approval for the Early Childhood Development and the Safe Schools programs. The division also assists school districts in establishing and funding gifted education programs and administers the Missouri Scholars Academy. In addition, the division manages the following federal programs: Compensatory Education, Instructional Improvements Grants, Math/Science Instruction Grant, and Drug Abuse Education.

Fiscal Year 2004 Governor's Recommendations

- \$3,400,000 federal funds for the federal No Child Left Behind Act of 2001.
- \$15,000 federal funds for the Gold Star Schools Program.
- \$13,000 federal funds for the Schools with Distinction Program.
- \$12,595 for pay plan, including \$5,264 general revenue.
- (\$141,424) and (four) staff in core reduction from the Fiscal Year 2003 appropriation level.

DIVISION OF TEACHER QUALITY AND URBAN EDUCATION

The Division of Teacher Quality and Urban Education contains the teacher certification, professional conduct and investigation, teacher recruitment and retention, professional development, and urban education sections. The division issues teaching certificates, conducts background checks, and delivers urban education workshops annually on crime, violence, and vandalism prevention. The division administers the National Board for Professional Teaching Standards Program, the Career Ladder Program, and teacher education assessment.

Fiscal Year 2004 Governor's Recommendations

- \$8,573 for pay plan, including \$7,513 general revenue.
- (\$89,256) and (three) staff in core reduction from the Fiscal Year 2003 appropriation level.

GOALS 2000: EDUCATE AMERICA ACT PROGRAM

The Goals 2000: Educate America Act was approved in 1994. Federal funds provided through this program were distributed to school districts on a grant basis. The grants were used for developing school improvement plans or enhancing teacher pre-service and in-service education. Fiscal Year 2001 marked the final year the federal government awarded Missouri a grant.

Fiscal Year 2004 Governor's Recommendations

- (\$2,000,000) federal funds core reduction from the Fiscal Year 2003 appropriation level.

VIDEO INSTRUCTIONAL DEVELOPMENT AND EDUCATIONAL OPPORTUNITY PROGRAM

The Video Instructional Development and Educational Opportunity Program provides grants to local school districts and colleges to increase their course offerings through satellite television.

Fiscal Year 2004 Governor's Recommendations

- (\$600,000) VIDEO fund core reduction from the Fiscal Year 2003 appropriation level.

DEPARTMENT OF ELEMENTARY AND SECONDARY EDUCATION

DIVISIONS OF SCHOOL IMPROVEMENT/TEACHER QUALITY AND URBAN EDUCATION (Continued)

COMPUTER NETWORKING

The Outstanding Schools Act established a grant program to help school districts acquire computers, data transmission lines, networking hardware and software, science and mathematics laboratory equipment, and other equipment to promote the use of computers and telecommunications technology. Among other things, the grants assist in expanding the computer network connecting school districts, school buildings, and classrooms across the state with each other and with other educational institutions throughout the world. This network allows Missouri students to access information from libraries and universities worldwide.

Fiscal Year 2004 Governor's Recommendations

- (\$4,787,830) transferred to the Department of Higher Education.
- (\$348,485) core reduction from the Fiscal Year 2003 appropriation level.

TITLE I – COMPENSATORY EDUCATION

Federal funds are available to local schools under Title I for compensatory education. Entitlements are awarded to school districts, institutions for delinquents, state institutions for the disabled, and adult correctional institutions with inmates under the age of 21. The grants are used to fund programs in remedial math, language arts, and reading.

Fiscal Year 2004 Governor's Recommendations

Continue funding at the current level.

TITLE I – READING FIRST GRANT PROGRAM

Funded through Title I, this grant program provides resources to school districts for teacher professional development focused on reading instruction. The program serves students in the primary grades and a small portion may also be used for purchasing reading materials used for instruction.

Fiscal Year 2004 Governor's Recommendations

Continue funding at the current level.

FEDERAL INSTRUCTIONAL IMPROVEMENT GRANTS

Under Title VI, states receive a percentage share of the federal appropriation based on the population from ages 5 through 17 years. Up to 15 percent of the funds may remain at the state level. The remainder of the funds received by a state must be passed through to local educational agencies for local education reform, programs for at-risk youth, professional development, and class size reduction.

Fiscal Year 2004 Governor's Recommendations

Continue funding at the current level.

STEPHEN M. FERMAN MEMORIAL FOR EDUCATION OF THE GIFTED

Mr. Milton Ferman and Mrs. Frieda Morgan Ferman established the Stephen Morgan Ferman Memorial for Education of the Gifted. Donations were made in their son's name, and the annual income may be expended through the state school moneys fund to enhance the educational opportunities of teachers of the gifted.

Fiscal Year 2004 Governor's Recommendations

Continue funding at the current level.

DEPARTMENT OF ELEMENTARY AND SECONDARY EDUCATION

DIVISIONS OF SCHOOL IMPROVEMENT/TEACHER QUALITY AND URBAN EDUCATION (Continued)

MISSOURI SCHOLARS AND FINE ARTS ACADEMIES

The Missouri Scholars and Fine Arts Academies are three-week summer sessions for gifted students. The academies assist gifted students to achieve their full potential and stimulate the establishment and improvement of programs for gifted students.

Fiscal Year 2004 Governor's Recommendations

Continue funding at the current level.

HIGH SCHOOL SCIENCE, MATHEMATICS AND TECHNOLOGY INSTITUTE

The High School Science, Mathematics and Technology Institute serves approximately 150 students from most of the Kansas City area public, parochial and private high schools, and home-schooled students in a program sponsored by the University of Missouri-Kansas City.

Fiscal Year 2004 Governor's Recommendations

- (\$100,000) healthy families trust fund core reduction from the Fiscal Year 2003 appropriation level.

EARLY CHILDHOOD PROGRAM

The Early Childhood Program provides grants to schools and community partnerships for early childhood care and education programs.

Fiscal Year 2004 Governor's Recommendations

- \$1,408,312 early childhood development, education and care fund for the Missouri Preschool Program.

A+ SCHOOLS PROGRAM

The Outstanding Schools Act established the A+ Schools Program to award grants to schools. A+ Schools must design programs to ensure that all students graduate from school, complete a challenging course of studies with identified learner expectations, and proceed from graduation to postsecondary education or a high-wage job. The program provides career choices and community college scholarships for students who might otherwise be unable to attend college.

Fiscal Year 2004 Governor's Recommendations

Continue funding at the current level.

STUDENT ASSESSMENT PROGRAM

The Outstanding Schools Act requires the Department of Elementary and Secondary Education to develop a statewide assessment system for districts to determine the degree to which their students are proficient in the knowledge, skills, and competencies necessary to be successful in the workplace and postsecondary education. The assessment must show what students can do as well as what they know.

Fiscal Year 2004 Governor's Recommendations

- \$4,355,400 for the Missouri Assessment Program, including \$154,945 general revenue.

DEPARTMENT OF ELEMENTARY AND SECONDARY EDUCATION

DIVISIONS OF SCHOOL IMPROVEMENT/TEACHER QUALITY AND URBAN EDUCATION (Continued)

ADVANCED PLACEMENT AND DUAL CREDIT INCENTIVES

The budget includes state funds to recognize public high school students who perform at a “proficient” or “advanced” level on statewide assessments. School districts will be eligible to receive grants on behalf of eligible students. The grants will pay for courses that lead to college credit for these students. Federal funds are also available to assist low-income children in taking Advanced Placement examinations for college credit.

Fiscal Year 2004 Governor’s Recommendations

Continue funding at the current level.

TITLE II – IMPROVING TEACHER QUALITY

Funded through Title II, the federal Improving Teacher Quality Program authorizes grants to state and local education agencies for instructional improvements. School districts may use the funds to upgrade the skills and recruitment of teachers and administrators and to reduce class size.

Fiscal Year 2004 Governor’s Recommendations

- \$1,000,000 federal funds for the Transition to Teaching Project.

SCHOOL RENOVATION PROGRAM

The federal School Renovation Program provides grants to states for urgent school renovation, activities authorized under the Individuals with Disabilities Education Act (IDEA), technology activities related to school renovation, and charter school facility financing.

Fiscal Year 2004 Governor’s Recommendations

Continue funding at the current level.

SAFE AND DRUG FREE SCHOOLS GRANT

The Department of Elementary and Secondary Education is eligible, on behalf of schools or groups of schools, for federal assistance under Title IV. The objectives of this program are to establish or designate local or regional advisory councils on drug abuse prevention; to establish or augment drug abuse education and prevention programs for students; and to coordinate school-based drug abuse programs with other programs in the community and with state and local health, drug and alcohol abuse, and law enforcement agencies.

Fiscal Year 2004 Governor’s Recommendations

Continue funding at the current level.

SAFE SCHOOLS GRANTS

The Safe Schools Grant Program is designed to help school districts implement safe school strategies to meet local needs. The grants can be used to purchase devices to improve physical security; to work with local police departments to provide police officers in school buildings; to develop other programs to increase security; and to place violent, abusive, and disruptive students in alternative education settings.

Fiscal Year 2004 Governor’s Recommendations

- (\$552,632) lottery proceeds fund core reduction from the Fiscal Year 2003 appropriation level.

DEPARTMENT OF ELEMENTARY AND SECONDARY EDUCATION

DIVISIONS OF SCHOOL IMPROVEMENT/TEACHER QUALITY AND URBAN EDUCATION (Continued)

PUBLIC CHARTER SCHOOLS PROGRAM

The Public Charter Schools Program was established to provide federal financial assistance for charter schools. Federal grants are awarded for planning, program design, and initial implementation of a charter school, and state funding is provided for the statutorily required evaluation of Missouri's charter schools.

Fiscal Year 2004 Governor's Recommendations

Continue funding at the current level.

SCHOLARSHIP PROGRAM

The Scholarship Program established by the Excellence in Education Act of 1985 provides \$2,000 non-renewable scholarships to teacher education students. The department provides \$1,000 of the cost of each scholarship with \$1,000 provided by the participating college or university.

Fiscal Year 2004 Governor's Recommendations

Continue funding at the current level.

COMPREHENSIVE SCHOOL REFORM DEMONSTRATION INITIATIVE

The Comprehensive School Reform Demonstration Initiative authorizes a research-based reform program that will allow grant awards to public schools for the implementation of whole-school, research-based reforms that qualify for funding.

Fiscal Year 2004 Governor's Recommendations

Continue funding at the current level.

RURAL AND LOW-INCOME SCHOOLS

Funding through Title VI, the Federal Rural and Low-Income Schools Program, authorizes grants to rural and low-income schools for resources needed to obtain federal grants.

Fiscal Year 2004 Governor's Recommendations

Continue funding at the current level.

TITLE III – LANGUAGE ACQUISITION

Funding through Title III, the federal Language Acquisition Program, authorizes grants to ensure that children attain English proficiency.

Fiscal Year 2004 Governor's Recommendations

- \$900,000 federal funds for the Language Acquisition Program.

DEPARTMENT OF ELEMENTARY AND SECONDARY EDUCATION

DIVISIONS OF SCHOOL IMPROVEMENT/TEACHER QUALITY AND URBAN EDUCATION (Continued)

FEDERAL REFUGEE PROGRAM

The Department of Health and Human Services provides funding through the Refugee Children School Impact Grants Program to states and school districts. The funding defrays some of the cost faced by local school districts with significant numbers of refugee children.

Fiscal Year 2004 Governor's Recommendations

- \$400,000 federal funds for the Federal Refugee Program.

CHARACTER EDUCATION INITIATIVE

The Character Education Initiative provides character education teacher training and resources to Missouri school districts. The training and resources will allow schools to emphasize the importance of universal values.

Fiscal Year 2004 Governor's Recommendations

- \$600,000 federal funds for character education.

MISSOURI STATE ACTION FOR EDUCATION LEADERSHIP PROJECT

The Missouri State Action for Education Leadership Project is a federal grant program designed to further the recruitment, training, and retention of school principals. The grant is funded from the Wallace Readers Digest group through the Council of Chief State School Officers.

Fiscal Year 2004 Governor's Recommendations

Continue funding at the current level.

DEPARTMENT OF ELEMENTARY AND SECONDARY EDUCATION

DIVISION OF VOCATIONAL REHABILITATION

The Division of Vocational Rehabilitation provides services to Missourians with disabilities to help them overcome impediments to employment. Counseling, training, and medical services are provided based on the specific needs of each client. Vocational Rehabilitation counselors evaluate each client and prepare an individual rehabilitation plan.

Fiscal Year 2004 Governor's Recommendations

- \$191,452 for pay plan, including \$1,370 general revenue.
- \$1,200 federal funds transferred from the Office of Administration.
- (\$266,560) core reduction for one-time expenditures, including (\$3,105) general revenue.
- (\$196,879) transferred to the Office of Administration.

VOCATIONAL REHABILITATION GRANT

The Vocational Rehabilitation Program provides job training, medical assistance, and other services to individuals with disabilities to help them function effectively in the job market. To be eligible for vocational rehabilitation services, a person must have a physical or mental disability that interferes with his or her ability to obtain or hold employment and have a reasonable chance of being able to work in suitable employment if appropriate services are provided.

Fiscal Year 2004 Governor's Recommendations

- \$6,799,375 for vocational rehabilitation grants, including \$668,348 general revenue.

DISABILITY DETERMINATIONS GRANT

The federal Social Security Administration contracts with the Department of Elementary and Secondary Education to determine whether applicants for Social Security benefits meet the necessary criteria for disabilities. The program involves purchasing extensive medical and vocational evaluations. An applicant's cost of travel to examinations is also paid from this grant. The program is funded entirely from federal funds.

Fiscal Year 2004 Governor's Recommendations

Continue funding at the current level.

PERSONAL CARE ASSISTANCE

Many individuals with severe physical disabilities are confined to their homes or to institutions because they are unable to perform routine daily tasks such as bathing, dressing, and eating. The Personal Care Assistance Program provides personal attendant care to such persons to enable them to live more independently, maintain their current employment, or become employable.

Fiscal Year 2004 Governor's Recommendations

- \$893,795 federal funds for the Personal Care Assistance Program.
- (\$893,795) core reduction from the Fiscal Year 2003 appropriation level.

INDEPENDENT LIVING CENTERS

The department is authorized to establish and maintain independent living centers to ensure statewide access for the severely disabled. Centers throughout the state provide disabled Missourians with self-help skills and knowledge to live more independently.

Fiscal Year 2004 Governor's Recommendations

Continue funding at the current level.

DEPARTMENT OF ELEMENTARY AND SECONDARY EDUCATION

DIVISION OF VOCATIONAL REHABILITATION (Continued)

PROJECT SUCCESS GRANT

The federal program, Strategies Utilizing Collaboration for Competitive Employment and Self Sufficiency (SUCCESS), authorizes the Division of Vocational Rehabilitation to expand employment opportunities for individuals with mental or physical disabilities who receive public support. A pilot project will be developed for the Missouri Career Center located in Columbia, Missouri, with the intention to exhibit promising new strategies for replication across Missouri's 14 workforce investment regions.

Fiscal Year 2004 Governor's Recommendations

Continue funding at the current level.

DEPARTMENT OF ELEMENTARY AND SECONDARY EDUCATION

DIVISION OF VOCATIONAL AND ADULT EDUCATION

The Division of Vocational and Adult Education provides individuals with programs and services that supply the technical knowledge and skills needed to prepare for employment. The division also develops state plans for vocational and adult education and literacy that form the basis for distribution of federal and state funds to local education agencies. Other division responsibilities include reviewing and approving vocational and adult education programs operated by local education agencies, processing applications for the tests of General Educational Development (GED), and assisting with the development and implementation of skill training programs for unemployed and underemployed adults.

Fiscal Year 2004 Governor's Recommendations

- \$17,141 for pay plan, including \$7,025 general revenue.
- \$70,195 and two staff transferred from the School-Age Childcare Program.
- \$46,390 federal funds and 1.5 staff transferred from the Troops to Teachers Program.

DISTRIBUTION TO SCHOOLS

Grants are provided to educational institutions for improving vocational-technical programs. The grants may be used to provide new programs, enhance curricula, and upgrade equipment and facilities. At least 75 percent of program funding must be used for projects related to occupations with high labor market demand-to-supply ratios.

The state provides financial support to vocational programs located in public school districts, institutions of higher education, state agencies, and business establishments. Programs are designed to prepare individuals for gainful employment. The department distributes federal vocational funds and state funds to local school districts according to guidelines developed in an annual state plan for vocational education. The state and federal funds serve as an incentive to public schools to offer vocational education programs.

Since Fiscal Year 1987, new funds for area vocational schools are distributed through the "Effectiveness Index Formula," which resulted from an intensive study of vocational education completed in 1984. The formula rewards schools that provide programs with high placement rates and high labor market demand-to-supply ratios.

Fiscal Year 2004 Governor's Recommendations

Continue funding at the current level.

WORKFORCE INVESTMENT ACT GRANTS

The federal Workforce Investment Act provides federal funds that can be used for skill training to 15 service delivery areas in Missouri. The service delivery areas contract with the Department of Elementary and Secondary Education to plan, implement, and administer skill-training programs. Vocational schools, community colleges, or proprietary schools conduct the actual training.

Fiscal Year 2004 Governor's Recommendations

Continue funding at the current level.

ADULT BASIC EDUCATION

The Department of Elementary and Secondary Education works with local public schools to establish adult basic education programs. The adult basic education programs provide training in the fundamental skills of English, reading, and mathematics. To enroll in a class, a person must be 16 years of age or older, out of school, and lacking a high school diploma.

Fiscal Year 2004 Governor's Recommendations

Continue funding at the current level.

DEPARTMENT OF ELEMENTARY AND SECONDARY EDUCATION

DIVISION OF VOCATIONAL AND ADULT EDUCATION (Continued)

SPECIAL LITERACY GRANT AWARD PROGRAM

The Special Literacy Grant Award Program was established to respond to the increasing numbers of adults needing adult basic education services. A significant number of adults request services due to the mandatory participation requirements of the federal TANF/FUTURES Program.

Fiscal Year 2004 Governor's Recommendations

Continue funding at the current level.

SCHOOL-AGE CHILDCARE

The federal Childcare and Development Block Grant provides funds to house school-aged childcare programs in school buildings when they are not being used for educational classes. Program evaluation and technical assistance are provided to local schools interested in implementing school-age childcare programs. The childcare programs must be in compliance with state and local licensing laws and regulations governing care for school-aged children.

Fiscal Year 2004 Governor's Recommendations

- \$6,000,000 federal funds for the School-Age Childcare Program.
- (\$270,000) transferred to the Department of Social Services.
- (\$70,195) and (two) staff transferred to the Division of Vocational and Adult Education.

TROOPS TO TEACHERS

The Troops to Teachers Program is designed to encourage military personnel transitioning to the civilian labor force to consider teaching as a post-military career.

Fiscal Year 2004 Governor's Recommendations

- (\$46,390) federal funds and (1.5) staff transferred to the Division of Vocational and Adult Education.

DEPARTMENT OF ELEMENTARY AND SECONDARY EDUCATION

DIVISION OF SPECIAL EDUCATION

The Division of Special Education is responsible for state and federal special education funds for Missouri public schools. The division also administers the budgets appropriated for the State Schools for the Severely Handicapped, School for the Deaf, and School for the Blind. Staff in the division monitor local school district programs for compliance with state and federal laws. The division also provides technical assistance and distributes state funds to the extended employment sheltered workshops.

Fiscal Year 2004 Governor's Recommendations

- \$370,547 for pay plan, including \$339,754 general revenue.

SPECIAL EDUCATION GRANT

The Special Education Program provides federal grants to school districts to assist them in education programs and services for disabled children at the preschool, elementary, and secondary levels. The grants are used to purchase instructional and technological equipment and to purchase the services of teachers, ancillary staff, diagnostic staff, and administrators for better management of services to people with disabilities. The funds may also be used to provide in-service training for special education teachers and financial assistance to special education teachers working toward full certification.

Fiscal Year 2004 Governor's Recommendations

- \$20,000,000 federal funds for special education grants.

EXCESS COSTS/SEVERE DISABILITIES SERVICES

The Excess Costs/Severe Disabilities Services Program was established to assist school districts in providing special education services to students with severe disabilities that would otherwise attend a State Board Operated School.

Fiscal Year 2004 Governor's Recommendations

Continue funding at the current level.

FIRST STEPS

First Steps is an early childhood intervention program that serves children with severe development delays from birth to age two. The Department of Elementary and Secondary Education collaborates with the Departments of Health and Senior Services and Mental Health in providing First Steps services for children.

Fiscal Year 2004 Governor's Recommendations

- \$1,282,007 transferred from the Department of Mental Health.

DSS/DMH SCHOOL PLACEMENTS

Children in residential placements through the Department of Social Services or the Department of Mental Health often are enrolled in schools outside their home districts. The state reimburses the districts where these children attend school for certain educational services when the costs exceed the amount received from the children's domiciliary districts and regular state school payments.

Fiscal Year 2004 Governor's Recommendations

- \$2,806,206 for education of students publicly placed in a residential facility.

DEPARTMENT OF ELEMENTARY AND SECONDARY EDUCATION

DIVISION OF SPECIAL EDUCATION (Continued)

OPERATING MAINTENANCE AND REPAIR

The State Board of Education operates two residential facilities, the School for the Blind in St. Louis and the School for the Deaf in Fulton, and day-school facilities – the State Schools for the Severely Handicapped located throughout the state. These state-owned facilities need routine and preventive maintenance. This program allows maintenance staff to purchase materials and supplies to perform this routine and preventive care.

Fiscal Year 2004 Governor's Recommendations

Continue funding at the current level.

SPECIAL OLYMPICS

The Missouri Special Olympics Program sponsors annual statewide events for more than 7,000 children with disabilities. Participants compete regionally to become eligible to attend the statewide competition. All participants in the state events receive ribbons and personal recognition for their efforts.

Fiscal Year 2004 Governor's Recommendations

- (\$100,000) core reduction from the Fiscal Year 2003 appropriation level.

SHELTERED WORKSHOPS

Sheltered workshops are not-for-profit corporations that give people with disabilities a controlled working environment. Programs are designed to enable persons to progress toward normal living and develop their work capacities. A workshop is set up and operated as a business. The manager of the workshop bids on and acquires contracts for work from industries in the community. The Department of Elementary and Secondary Education assists the workshops in management, production, bidding, and pricing techniques.

Fiscal Year 2004 Governor's Recommendations

Continue funding at the current level.

READERS FOR THE BLIND

The Readers for the Blind Program provides payments of \$500 per year per blind student enrolled in elementary and secondary schools to employ readers. Blind students attending local elementary and secondary schools need reading assistance when Braille or large print materials are unavailable.

Fiscal Year 2004 Governor's Recommendations

Continue funding at the current level.

BLIND LITERACY TASK FORCE

The Blind Literacy Task Force was established to develop goals and objectives to guide the improvement of special education, related services, vocational training, transition from school to work, rehabilitation services, independent living, and employment outcomes for blind and visually impaired students.

Fiscal Year 2004 Governor's Recommendations

Continue funding at the current level.

DEPARTMENT OF ELEMENTARY AND SECONDARY EDUCATION

BOARD OPERATED SCHOOLS OPERATIONS

The Missouri School for the Deaf provides elementary and secondary education, both academic and vocational, in a residential environment for deaf- or hearing-impaired students from ages 5 to 21 years. Located in Fulton, Missouri, the school provides separate facilities for primary age, intermediate age, and high school students. To be admitted to the Missouri School for the Deaf, a child must be a resident of Missouri and manifest a hearing loss that seriously limits his or her chances of success in a regular public school program. The school is tuition-free with no charge for room, board, transportation, laundry, or books. In addition to direct educational programs, the school offers extensive outreach and resource services to local educational agencies.

The Missouri School for the Blind, located in St. Louis, Missouri, offers elementary and secondary education, including academic, vocational, and special training, in a residential school environment for blind or visually impaired students from ages 5 to 21. The school provides special teaching methods, materials, and curriculum additions specifically needed by children with vision impairment. A program for students provides diagnosis, evaluation, individualized programming, physical therapy, occupational therapy, speech and language therapy, adaptive physical education, and audiological examinations.

State law mandates that all children in Missouri, regardless of any disabling condition, be entitled to an appropriate educational program. For students too severely disabled to be served effectively by local public schools, the Department of Elementary and Secondary Education operates 37 state schools and contracts with private non-profit agencies to provide educational services for children the state schools cannot practically serve. These schools offer day programs in basic and prevocational training with the ultimate goal of assisting students in functioning semi-independently in their homes and communities. Programs include self-care, sensory and perceptual training, language development, interpersonal relations, home-living, and functional academics. The state provides transportation for the students. State funding for the State Board Operated Schools is appropriated in the Foundation Program.

SCHOOL FOR THE DEAF TRUST FUND

The School for the Deaf Trust Fund was established by law to receive gifts and bequests from individuals who wish to assist the Missouri School for the Deaf. The funds are invested or used for program improvements and facility additions at the School for the Deaf. Some funds are specifically donated for awards to students in areas such as scholarship, character, and leadership.

Fiscal Year 2004 Governor's Recommendations

Continue funding at the current level.

SCHOOL FOR THE BLIND TRUST FUND

The School for the Blind Trust Fund was established by law to receive gifts and bequests from individuals who wish to assist the Missouri School for the Blind. The funds are invested or used for program improvements and facility additions at the School for the Blind.

Fiscal Year 2004 Governor's Recommendations

Continue funding at the current level.

STATE SCHOOLS FOR THE SEVERELY HANDICAPPED TRUST FUND

The Handicapped Children's Trust Fund was established to receive gifts and bequests from individuals who wish to assist the State Schools for the Severely Handicapped. The money in the fund is invested each year in short-term securities or used to purchase supplies, equipment, and materials used in the state schools.

Fiscal Year 2004 Governor's Recommendations

Continue funding at the current level.

DEPARTMENT OF ELEMENTARY AND SECONDARY EDUCATION

MISSOURI OCCUPATIONAL INFORMATION COORDINATING COMMITTEE

Federal law requires Missouri to have a coordinating committee to develop an occupational information system to collect and disseminate occupational data and encourage the use of that information by training program planners and persons making career decisions.

Fiscal Year 2004 Governor's Recommendations

- (\$251,010) federal funds and (two) staff transferred to the Department of Economic Development.
- (\$30,000) and (one) staff in core reduction from the Fiscal Year 2003 appropriation level.

COMMISSION FOR THE DEAF AND HARD OF HEARING

Section 161.400, RSMo, authorized establishment of the Missouri Commission for the Deaf and Hard of Hearing within the Department of Elementary and Secondary Education. Senate Bill 568 (1994) established a Board for Certification of Interpreters within the Commission for the Deaf. The board is responsible for certifying interpreters for the deaf prior to licensure.

Fiscal Year 2004 Governor's Recommendations

- \$75,000 other funds to enhance commission operations.
- (\$9,286) core reduction from the Fiscal Year 2003 appropriation level.

TRANSFER OF FUNDS TO OUTSTANDING SCHOOLS TRUST FUND

The Outstanding Schools Act (1993) provides revenues for the formula equity provisions of the act. These revenues are transferred from general revenue into the outstanding schools trust fund to pay for the initiatives in the Outstanding Schools Act.

Fiscal Year 2004 Governor's Recommendations

- Total funds to be transferred from general revenue to the outstanding schools trust fund \$ 394,400,000

	FY 2002 EXPENDITURE	FY 2003 APPROPRIATION	GOVERNOR RECOMMENDS FY 2004
General Revenue Fund	\$ 451,300,000	\$ 421,300,000	\$ 394,400,000

DEPARTMENT OF ELEMENTARY AND SECONDARY EDUCATION

TRANSFER OF FUNDS TO STATE SCHOOL MONEYS FUND

Funds are transferred from general revenue and the gaming proceeds for education fund to the state school moneys fund to meet appropriation obligations.

Fiscal Year 2004 Governor's Recommendations

- Total recommended appropriation from state school moneys fund \$ 2,244,258,371
- Less amount available in state school moneys fund from gaming proceeds, gaming admission fees, cigarette taxes, investment earnings, prior year lapse, Ferman Memorial funds, and the balance (476,477,728)
- Total funds to be transferred from general revenue to state schools moneys fund \$ 1,767,780,643
- Total funds transferred from gaming proceeds for education fund 424,331,000
- Total transferred to the state school moneys fund \$ 2,192,111,643

	FY 2002 EXPENDITURE	FY 2003 APPROPRIATION	GOVERNOR RECOMMENDS FY 2004
General Revenue Fund	\$ 1,727,466,154	\$ 1,817,575,342	\$ 1,767,780,643
Gaming Proceeds for Education Fund	<u>213,845,616</u>	<u>205,520,542</u>	<u>424,331,000</u>
TOTAL	\$ 1,941,311,770	\$ 2,023,095,884	\$ 2,192,111,643

TRANSFER OF FUNDS TO SCHOOLS FOR THE FUTURE FUND

SB 1248 (2002) established this fund to receive moneys available as a result of the bill for Fiscal Year 2003 only.

Fiscal Year 2004 Governor's Recommendations

- (\$126,517,000) core reduction from the Fiscal Year 2003 appropriation level for one-time expenditures.

	FY 2002 EXPENDITURE	FY 2003 APPROPRIATION	GOVERNOR RECOMMENDS FY 2004
General Revenue Fund	\$ 0	\$ 126,517,000	\$ 0

TRANSFER OF FUNDS TO SCHOOL DISTRICT BOND FUND

SB 301 (1995) allows up to \$7 million to be transferred from the gaming proceeds for education fund to the school district bond fund for use by the Missouri Health and Education Facilities Authority to pay costs associated with school bond issues and credit enhancement.

Fiscal Year 2004 Governor's Recommendations

- (\$1,821,458) gaming proceeds for education fund core reduction from the Fiscal Year 2003 appropriation level.

	FY 2002 EXPENDITURE	FY 2003 APPROPRIATION	GOVERNOR RECOMMENDS FY 2004
Gaming Proceeds for Education Fund	\$ 7,000,000	\$ 2,271,458	\$ 450,000

DEPARTMENT OF HIGHER EDUCATION

FINANCIAL SUMMARY

	FY 2002 EXPENDITURE	FY 2003 APPROPRIATION	FY 2004 REQUEST	GOVERNOR RECOMMENDS FY 2004
Higher Education Coordination	\$ 883,221	\$ 990,891	\$ 990,891	\$ 852,280
Proprietary School Regulation	170,738	296,942	296,942	266,942
Midwest Higher Education Commission	82,500	82,500	82,500	82,500
Missouri Learners' Network	15,952	410,800	410,800	410,800
Contracting with Other States	76,046	0	0	0
State Anatomical Board	2,569	3,069	3,069	3,069
Federal Education Programs	951,809	3,775,225	3,775,225	3,775,225
MOSTARS - Grants and Scholarships	36,787,885	37,130,634	37,130,634	37,258,134
MOSTARS - GEAR UP	746,922	1,754,612	1,704,612	1,704,612
MOSTARS - Missouri Student Loan Program	65,634,928	137,009,477	103,472,831	103,480,957
Community Colleges	124,362,868	136,900,582	136,900,582	136,900,582
Technical Colleges	4,227,892	4,689,475	4,689,475	4,689,475
Four-Year Colleges and Universities	672,242,253	729,773,141	729,773,141	729,773,141
University of Missouri - Related Programs	39,643,360	43,709,858	43,709,858	48,497,688
DEPARTMENTAL TOTAL	\$ 945,828,943	\$ 1,096,527,206	\$ 1,062,940,560	\$ 1,067,695,405
General Revenue Fund	798,708,350	875,992,675	875,992,675	880,739,394
Federal Funds	2,742,744	6,740,637	6,690,637	6,690,637
Missouri Student Grant Program Gift Fund	50,000	50,000	50,000	50,000
Lottery Proceeds Fund	77,125,149	74,309,417	74,309,417	74,309,417
Spinal Cord Injury Fund	0	375,000	375,000	375,000
State Seminary Moneys Fund	222,767	250,000	250,000	250,000
Healthy Families Trust Fund-Health Care				
Treatment and Accessibility Fund	149,079	0	0	0
GEAR UP Scholarship Fund	42,275	200,000	200,000	200,000
Proprietary School Bond Fund	0	100,000	100,000	100,000
U.S. Department of Education				
Recall Account Fund	0	32,421,670	0	0
U.S. Department of Education				
Interest Account Fund	821,110	2,700,420	2,700,420	2,700,420
State Seminary Fund	1,153,651	1,500,000	1,500,000	1,500,000
Guaranty Agency Operating Fund	13,094,301	16,887,387	15,772,411	15,780,537
Federal Student Loan Reserve Fund	51,719,517	85,000,000	85,000,000	85,000,000
Full-time equivalent employees	80.50	96.23	96.23	95.33

POLICY SUMMARY

A weakened economy and considerable growth in mandatory programs like Medicaid has resulted in the most significant challenge the state has faced since the Depression. The Fiscal Year 2004 budget includes substantial core reductions. However, the budget also recognizes that the state cannot cut its way out of the current fiscal problems without severely reducing essential services provided to Missourians. General revenue budget increases have been limited to mandatory programs. Governor Holden's priorities are protecting the state's investment in education and ensuring that our most vulnerable citizens – children, the elderly, and disabled – are shielded to the greatest extent possible from budget reductions.

DEPARTMENT OF HIGHER EDUCATION

POLICY SUMMARY (Continued)

Despite the current budget problems, Governor Holden remains committed to higher education. Even in the face of significant revenue shortfalls, no funding reductions have been made to the higher education institutions in the Fiscal Year 2004 budget. In addition, the Governor's recommendations include increased funding for need-based scholarships for Missouri students. The Governor has also called for the establishment of the Missouri Commission on the Future of Higher Education, a statewide commission that will provide the state with a long-term plan to enhance higher education and work to strengthen the link between higher education and economic growth in Missouri. The Governor understands that economic growth in the 21st century is based on the knowledge economy – an economy centered on information technology, medical research, and advanced manufacturing. Missouri's higher education system plays a critical role in ensuring Missouri stays at the forefront of these technological advances and in supplying the skilled workers that are necessary to stimulate continued economic growth in the state.

ASSISTING STUDENTS

Missouri College Guarantee Program: The Missouri College Guarantee Program provides scholarships based on financial need to Missouri students who meet specified academic standards. The program is designed to serve Missouri's neediest students regardless of institutional choice. Governor Holden recommends \$500,000 of additional ongoing funding for the program, which will ensure that the number and amount of Missouri College Guarantee scholarships awarded is maintained at its current level. The increased funding is necessary because one-time fund balances, which have been used in previous years to fund scholarships, have been depleted.

LOTTERY PROCEEDS FOR EDUCATION

During Fiscal Year 2004, \$191.1 million will be available from lottery revenues for education. Of this amount, \$186.9 million is from anticipated Fiscal Year 2004 revenues. The remaining \$4.2 million is from revenues generated but not expended during prior fiscal years. The Governor recommends allocating estimated lottery revenues as follows:

<u>ELEMENTARY AND SECONDARY EDUCATION</u>	
• Character Education	\$ 250,000
• A+ Schools	8,696,486
• Safe Schools/Alternative Schools	1,822,368
• Advanced Placement/Dual Credit	711,786
• Information Technology Grants	7,000,000
• Transportation	78,371,749
• Early Childhood Special Education	6,460,897
• Special Education	3,762,000
• Gifted	198,351
• DFS/DMH Public Placements	2,083,935
• Research Contract	110,880
• Early Grade Literacy	145,000
• State Schools Operating Maintenance and Repair	342,754
• Vocational Rehabilitation	1,400,000
• Minority Scholarships	200,000
• Scholars Academy	158,156
• Missouri Assessment Program	874,321
* Missouri Assessment Program	4,200,455
SUBTOTAL	\$ 116,789,138
<u>HIGHER EDUCATION</u>	
• Four-Year Institutions Operations	\$ 46,969,759
• Four-Year Institutions Operating Maintenance and Repair	18,893,066
• Community Colleges Operations	3,633,814
• Community Colleges Operating Maintenance and Repair	2,062,778
• Missouri College Guarantee Program	2,750,000
SUBTOTAL	\$ 74,309,417
TOTAL	<u>\$ 191,098,555</u>
*Increased funding	

DEPARTMENT OF HIGHER EDUCATION

POLICY SUMMARY (Continued)

PERFORMANCE MEASURES

Table 1: Performance measures the Department of Higher Education uses to evaluate the outcomes of higher education

	1999	2000	2001
Number of graduates of Missouri public institutions entering Missouri's workforce and average salaries			
Associate degree graduates	6,451	6,593	6,908
Average salary	\$19,755	\$20,551	\$20,655
Percent employed in Missouri	75%	74%	74%
Bachelor degree graduates	15,243	15,375	15,349
Average salary	\$24,927	\$26,607	\$25,977
Percent employed in Missouri	62%	62%	63%
Masters degree graduates	4,118	4,055	4,267
Average salary	\$36,496	\$39,185	\$39,290
Percent employed in Missouri	60%	61%	61%
Doctoral degree graduates	368	400	423
Average salary	\$49,908	\$44,257	\$44,935
Percent employed in Missouri	38%	32%	38%

Table 2: Performance measures the Department of Higher Education uses to evaluate the impact of higher education

	2000	2001	2002
Number of graduates of the higher education system	53,285	53,994	56,312
Percentage of total degrees conferred upon minorities	14.0%	15.1%	16.0%

Table 3: Performance measures the Department of Higher Education uses to evaluate access to higher education

	2000	2001	2002
Number of students applying for student financial assistance	105,000	110,000	164,000
Number of students receiving state student financial assistance	26,243	26,714	27,459
Dollar amount awarded in state student financial assistance	\$39,508,347	\$43,926,860	\$44,818,781

Table 4: Performance measures the Department of Higher Education uses to evaluate the performance of public community colleges

	1999	2000	2001
<u>Student Advancement</u>			
First year success (24 credit hours and 2.0 GPA by end of spring semester) of first-time, full-time degree seeking freshmen entering in fall	37%	39%	39%
Number of graduates with certificates of one year or more or associate degrees	7,288	7,427	7,750
Percentage of baccalaureate graduates that successfully transferred from a community college with 12 or more credit hours	17.7%	17.6%	18.6%
<u>Quality of Community College Graduates</u>			
Percentage of associate degree recipients who received pass scores on licensure, certification, or a registration exam that is scored pass/fail	86.0%	84.9%	82.6%
Percentage of certificate completers who received pass scores on licensure, certification, or a registration exam that is scored pass/fail	90.0%	91.8%	85.3%

DEPARTMENT OF HIGHER EDUCATION

POLICY SUMMARY (Continued)

Table 5: Performance measures the Department of Higher Education uses to evaluate the performance of four-year public colleges and universities

	1999	2000	2001
<u>Student Advancement</u>			
First year success (24 credit hours and 2.0 GPA by spring of first year) of first-time, full-time degree seeking freshmen	72%	72%	72%
Six-year graduation rates for first-time, full-time degree seeking freshmen	49.6%	52.1%	55.6%
<u>Quality of Baccalaureate Program Graduates</u>			
Percentage who scored at or above the 50 th percentile on a nationally normed test in general education	61.6%	63.2%	62.4%
Percentage who took a nationally normed test in their major and scored at or above the 50 th percentile	58.9%	58.6%	58.8%
Percentage who passed a licensure, certification, or a registration exam	87.4%	83.0%	83.0%
<u>Quality of Prospective Teachers</u>			
Percentage who met teacher program entry standards	67%	70%	68%
Percentage who met teacher program exit standards	59%	60%	59%
<u>Quality of Graduate/Professional Students</u>			
Percentage of graduate/professional students admitted scoring at or above the 50 th percentile on relevant admissions examinations			
-- University of Missouri	84%	86%	87%
-- Other public universities	61%	58%	63%

DEPARTMENT OF HIGHER EDUCATION

HIGHER EDUCATION COORDINATION

This program includes the Commissioner of Higher Education, the general administrative staff, and the expenses of the Coordinating Board. Under direction of the Coordinating Board, the administrative staff review and coordinate the programs of approximately 58 public and private institutions of higher education. Staff also prepares the Coordinating Board's budget recommendations for public colleges and universities. Other program responsibilities include collecting and distributing student enrollment data and reviewing proposed new degree programs.

Fiscal Year 2004 Governor's Recommendations

- \$5,950 for pay plan.
- (\$144,561) and (.45) staff in core reduction from the Fiscal Year 2003 appropriation level.

PROPRIETARY SCHOOL REGULATION

Sections 173.600 through 173.618, RSMo, provide for the regulation of proprietary schools operating in the State of Missouri. The Coordinating Board is charged with the authority to issue, revoke, or suspend certificates of approval ensuring that proprietary schools meet minimum state standards, place schools on probation, require each school to file a security bond, and collect data from certified proprietary schools.

Fiscal Year 2004 Governor's Recommendations

- (\$30,000) and (.4) staff in core reduction from the Fiscal Year 2003 appropriation level.

MIDWEST HIGHER EDUCATION COMMISSION

The Midwest Higher Education Commission is a consortium of states that work together on student exchange agreements, higher education research and policy development, and cost saving programs in which Missouri institutions may participate. Membership in the organization requires payment of annual dues.

Fiscal Year 2004 Governor's Recommendations

Continue funding at the current level.

MISSOURI LEARNERS' NETWORK

The Missouri Learners' Network is a voluntary, collaborative project among Missouri postsecondary institutions designed to provide a single web access point to distance learning opportunities in Missouri. The MLN web site features an electronic catalog of postsecondary, off-campus, credit courses, and programs offered by all of Missouri's public two- and four-year colleges and universities, most of the state's independent institutions, and several proprietary and career schools.

Fiscal Year 2004 Governor's Recommendations

Continue funding at the current level.

STATE ANATOMICAL BOARD

Sections 194.120 through 194.180, RSMo, authorize the State Anatomical Board to collect and distribute human cadavers to qualified medical schools. Expenditures consist of fixed stipends for officers of the board and per capita stipends for doctors with the responsibility for receipt and distribution of bodies. Participating schools pay a per-student assessment of 50 cents, which is deposited in general revenue.

Fiscal Year 2004 Governor's Recommendations

Continue funding at the current level.

DEPARTMENT OF HIGHER EDUCATION

FEDERAL EDUCATION PROGRAMS AND DONATIONS

The Improving Teacher Quality States Grant Program provides federal funds for the improvement of instruction in the core subject areas in grades K-12. The Department of Higher Education administers its portion of these funds through a competitive grant process. The funds are used to design and develop professional development projects addressing the needs of K-12 teachers in the targeted core academic subjects of mathematics and science.

In addition, the Coordinating Board staff will continue to pursue federal grants, foundation resources, and private donations to support new programs.

Fiscal Year 2004 Governor's Recommendations

Continue funding at the current level.

**DEPARTMENT OF HIGHER EDUCATION
STUDENT FINANCIAL AID – MOSTARS**

FINANCIAL SUMMARY

	FY 2002 EXPENDITURE	FY 2003 APPROPRIATION	FY 2004 REQUEST	GOVERNOR RECOMMENDS FY 2004
MOSTARS GRANTS AND SCHOLARSHIPS				
Administration	\$ 295,079	\$ 348,198	\$ 348,198	\$ 295,698
Academic Scholarship Program	15,459,227	15,787,000	15,787,000	15,787,000
Charles E. Gallagher Grant Program	17,125,138	16,628,436	16,628,436	16,628,436
Public Service Survivor Grant Program	37,354	45,000	45,000	45,000
Vietnam Veterans Survivors Scholarship Program	9,020	12,000	12,000	12,000
Marguerite Ross Barnett Scholarship Program	484,973	500,000	500,000	500,000
Missouri College Guarantee Program	1,925,000	2,750,000	2,750,000	3,250,000
Advantage Missouri Program	1,452,094	1,060,000	1,060,000	740,000
GEAR UP PROGRAM	746,922	1,754,612	1,704,612	1,704,612
MISSOURI STUDENT LOAN PROGRAM				
Administration	9,140,993	13,202,407	12,987,431	12,995,557
U.S. Department of Education Recall Account	0	32,421,670	0	0
Federal Loan Compliance	3,638,180	5,000,000	5,000,000	5,000,000
E-Government	1,136,238	1,385,400	485,400	485,400
Federal Student Loan Reserve Fund	51,719,517	85,000,000	85,000,000	85,000,000
DIVISIONAL TOTAL	\$ 103,169,735	\$ 175,894,723	\$ 142,308,077	\$ 142,443,703
PERSONAL SERVICE				
General Revenue Fund	193,538	218,036	218,036	195,536
Federal Funds	247,450	252,560	252,560	252,560
Other Funds	1,969,253	2,578,525	2,578,525	2,586,651
EXPENSE AND EQUIPMENT				
General Revenue Fund	101,541	130,162	130,162	100,162
Federal Funds	251,043	604,480	554,480	554,480
Other Funds	11,712,560	15,119,282	14,004,306	14,004,306
PROGRAM SPECIFIC DISTRIBUTION				
General Revenue Fund	46,374	57,000	57,000	57,000
Federal Funds	206,154	697,572	697,572	697,572
Other Funds	51,995,390	119,511,670	87,090,000	87,090,000
FUND TRANSFERS				
General Revenue Fund	35,310,144	32,925,436	32,925,436	33,105,436
Federal Funds	1,086,288	1,000,000	1,000,000	1,000,000
Other Funds	50,000	2,800,000	2,800,000	2,800,000
TOTAL	\$ 103,169,735	\$ 175,894,723	\$ 142,308,077	\$ 142,443,703
General Revenue Fund	35,651,597	33,330,634	33,330,634	33,458,134
Federal Funds	1,790,935	2,554,612	2,504,612	2,504,612
Other Funds	65,727,203	140,009,477	106,472,831	106,480,957
Full-time equivalent employees				
	62.83	76.83	76.83	76.78

DEPARTMENT OF HIGHER EDUCATION

STUDENT FINANCIAL AID – MOSTARS (Continued)

MOSTARS (Missouri Student Assistance Resource Services) is the Coordinating Board's "one-stop shop" for student financial assistance. The various programs and services offered by MOSTARS provide access to higher education for those in financial need and encourage Missouri's top academic achievers to attend Missouri institutions. The MOSTARS staff distributes approximately 151,000 grants, scholarships, and loans totaling \$496 million annually.

ADMINISTRATION OF GRANT AND SCHOLARSHIP PROGRAMS

Administration of the grant and scholarship programs includes determining an applicant's eligibility for a grant, determining the amount of individual grants, issuing payments, and monitoring school financial aid offices for compliance with program requirements.

Fiscal Year 2004 Governor's Recommendations

- (\$52,500) and (.05) staff in core reduction from the Fiscal Year 2003 appropriation level.

ACADEMIC SCHOLARSHIP PROGRAM

The Academic Scholarship Program ("Bright Flight") provides \$2,000 scholarships for Missouri high school graduating seniors scoring in the top three percent of all Missouri students taking either the American College Test (ACT) or the Scholastic Aptitude Test (SAT) of the College Board. The students must use the scholarship to attend a Missouri college or university. The scholarships are renewable up to a total of ten semesters. An estimated 8,300 students will be awarded scholarships in Fiscal Year 2004.

Fiscal Year 2004 Governor's Recommendations

Continue funding at the current level.

CHARLES E. GALLAGHER GRANT PROGRAM

The Charles E. Gallagher Student Financial Assistance (Missouri Student Grant) Program provides non-repayable grants to eligible Missouri postsecondary students of up to a maximum of ten semesters based on the lesser of: (a) demonstrated financial need, (b) one-half the tuition and fees of the previous year, or (c) \$1,500.

Fiscal Year 2004 Governor's Recommendations

Continue funding at the current level.

PUBLIC SERVICE SURVIVOR GRANT PROGRAM

The Public Service Survivor Grant Program provides educational benefits to the children and spouses of certain public employees killed or permanently and totally disabled in the line of duty. An eligible child, up to the age of 24, or an eligible spouse may receive a grant to enroll in a program leading to a certificate, associate degree, or baccalaureate degree at an approved public or private postsecondary institution. The grant may not exceed the amount paid in tuition by a full-time undergraduate Missouri resident at the University of Missouri.

Fiscal Year 2004 Governor's Recommendations

Continue funding at the current level.

VIETNAM VETERANS SURVIVORS SCHOLARSHIP PROGRAM

The Vietnam Veterans Survivors Scholarship Program, authorized by Section 173.236, RSMo, provides educational benefits to the spouse or child of a veteran of the Vietnam War whose death was caused by exposure to toxic chemicals. The maximum award may not exceed the amount of tuition and/or fees paid by a full-time undergraduate Missouri resident at the University of Missouri.

Fiscal Year 2004 Governor's Recommendations

Continue funding at the current level.

DEPARTMENT OF HIGHER EDUCATION

STUDENT FINANCIAL AID – MOSTARS (Continued)

MARGUERITE ROSS BARNETT SCHOLARSHIP PROGRAM

The Marguerite Ross Barnett Scholarship Program provides grants to part-time undergraduate students who are employed and compensated for at least 20 hours per week and who have financial need. The maximum award may not exceed the amount of tuition and/or fees paid by a part-time undergraduate Missouri resident at the University of Missouri.

Fiscal Year 2004 Governor's Recommendations

Continue funding at the current level.

MISSOURI COLLEGE GUARANTEE PROGRAM

The Missouri College Guarantee Program provides scholarships based on financial need to students that meet specified academic standards. The program is designed to serve Missouri students most in need regardless of institutional choice.

Fiscal Year 2004 Governor's Recommendations

- \$500,000 for scholarships.

ADVANTAGE MISSOURI PROGRAM

The Advantage Missouri Program is a loan and loan forgiveness program designed to address workforce needs in high demand occupations. Students enrolling in an academic program in an occupational field of high demand may apply for a loan that will forgive one year of the loan for each year the student works in Missouri in that specified field. The current targeted occupational areas are biomedical/biotechnology, advanced manufacturing technology, and computer technology.

Fiscal Year 2004 Governor's Recommendations

- (\$320,000) core reduction to reflect the General Assembly's intent to phase-out this program.

GEAR UP AND STATEWIDE INITIATIVES PROGRAMS

The Department of Higher Education has been awarded a federal GEAR UP grant that will help improve the educational attainment of Missouri citizens by providing early college preparation and awareness activities to participating students through comprehensive mentoring, counseling, outreach, and other support services. These activities promote equal access to educational excellence through partnership efforts on behalf of low-income, underrepresented students, and ensure that targeted students have access to rigorous courses that prepare them for college. Nineteen Missouri middle schools with more than 3,000 eighth grade students are participating in the GEAR UP program.

Fiscal Year 2004 Governor's Recommendations

- (\$50,000) federal funds core reduction for one-time expenditures.

MISSOURI STUDENT LOAN PROGRAM AND ADMINISTRATION

The Missouri Student Loan Program provides repayable loans to parents and students through commercial lending institutions. Since its inception in 1979, the program has guaranteed approximately 1.6 million loans totaling nearly \$5 billion. In Fiscal Year 2004 approximately 100 lending institutions will participate in loaning funds to students attending more than 125 eligible institutions. The Missouri program uses outside contractors to process and service its loans. The MOSTARS staff administers activities including outreach service to students, schools, and lenders; the administration of the Administrative Wage Garnishment and Automated Transfer of Money programs; general loan program administration; and functions necessary to oversee contractor services and ensure compliance with state and federal law.

Fiscal Year 2004 Governor's Recommendations

- \$8,126 guaranty agency operating fund for pay plan.
- (\$32,421,670) higher education public law 105-33 recall account core reduction from the Fiscal Year 2003 appropriation level.
- (\$1,114,976) guaranty agency operating fund core reduction for one-time expenditures.

DEPARTMENT OF HIGHER EDUCATION

AID TO PUBLIC COMMUNITY COLLEGES

The budget recommendations for Missouri public community colleges are based on the recommendations developed by the Coordinating Board. The 12 institutions (17 campuses) eligible to receive state aid are: Crowder College in Neosho, East Central College in Union, Jefferson College in Hillsboro, Metropolitan Community College – four campuses in the Kansas City area, Mineral Area College in Park Hills, Moberly Area Community College in Moberly, North Central Missouri College in Trenton, Ozarks Technical Community College in Springfield, St. Charles Community College in St. Peters, St. Louis Community College – three campuses in St. Louis City and County, State Fair Community College in Sedalia, and Three Rivers Community College in Poplar Bluff. For Fiscal Year 2004 the Coordinating Board recommends funding of \$136,900,582 for community colleges.

FINANCIAL SUMMARY

	FY 2002 EXPENDITURE	FY 2003 APPROPRIATION	FY 2004 REQUEST	GOVERNOR RECOMMENDS FY 2004
Aid to Community Colleges	\$ 86,622,452	\$ 95,386,572	\$ 95,386,572	\$ 95,386,572
Out-of-District Programs	1,160,781	1,287,509	1,287,509	1,287,509
Workforce Preparation	16,317,884	17,839,001	17,839,001	17,839,001
Postsecondary Technical Education Initiatives	20,261,751	22,387,500	22,387,500	22,387,500
TOTAL	\$ 124,362,868	\$ 136,900,582	\$ 136,900,582	\$ 136,900,582
General Revenue Fund	118,223,209	131,203,990	131,203,990	131,203,990
Lottery Proceeds Fund	6,139,659	5,696,592	5,696,592	5,696,592

Fiscal Year 2004 Governor's Recommendations

Continue funding at the current level.

LINN STATE TECHNICAL COLLEGE

Senate Bill 101 (1995) established Linn State Technical College with a statewide mission to offer highly specialized and advanced technical education and training at the certificate and associate degree level in both emerging and traditional technologies. For Fiscal Year 2004 the Coordinating Board recommends funding of \$4,689,475 for Linn State Technical College.

Fiscal Year 2004 Governor's Recommendations

- \$420,528 lottery proceeds fund replacing general revenue to ensure equity in the proportion of lottery proceeds fund to general revenue funding.
- (\$420,528) core reduction from the Fiscal Year 2003 appropriation level.

DEPARTMENT OF HIGHER EDUCATION

PUBLIC FOUR-YEAR INSTITUTIONS OF HIGHER EDUCATION

The budget recommendations for Missouri's ten public, four-year institutions of higher education are based on the recommendations developed by the Coordinating Board. Missouri's public, four-year institutions of higher education include: (a) the comprehensive universities – Central Missouri State University at Warrensburg, Southeast Missouri State University at Cape Girardeau, Southwest Missouri State University at Springfield, and Northwest Missouri State University at Maryville; (b) the three state colleges – Missouri Southern State College at Joplin, Missouri Western State College at St. Joseph, and Harris-Stowe State College at St. Louis; (c) the state liberal arts university – Truman State University at Kirksville; and (d) the land grant universities – Lincoln University at Jefferson City and the University of Missouri. Truman, Lincoln, and the comprehensive universities offer both graduate and undergraduate programs. The state colleges offer undergraduate programs. The programs of the University of Missouri include the operations of the University of Missouri campuses at Columbia, Kansas City, Rolla, and St. Louis. The University of Missouri offers undergraduate, graduate, doctoral, professional degrees, and comprehensive research and public services activities. For Fiscal Year 2004 the Coordinating Board recommends funding of \$729,773,141 for four-year institutions.

FINANCIAL SUMMARY

	FY 2002 EXPENDITURE	FY 2003 APPROPRIATION	FY 2004 REQUEST	GOVERNOR RECOMMENDS FY 2004
Central Missouri State University	\$ 51,052,139	\$ 55,597,699	\$ 55,597,699	\$ 55,597,699
Harris-Stowe State College	9,558,144	10,133,324	10,133,324	10,133,324
Lincoln University	16,226,925	17,298,105	17,298,105	17,298,105
Missouri Southern State College	17,665,070	19,211,851	19,211,851	19,211,851
Missouri Western State College	18,119,376	19,716,110	19,716,110	19,716,110
Northwest Missouri State University	26,620,143	28,991,464	28,991,464	28,991,464
Southeast Missouri State University	41,636,732	45,273,509	45,273,509	45,273,509
Southwest Missouri State University	73,907,358	80,294,626	80,294,626	80,294,626
Truman State University	38,640,024	42,108,894	42,108,894	42,108,894
Subtotal	293,425,911	318,625,582	318,625,582	318,625,582
University of Missouri	378,816,342	411,147,559	411,147,559	411,147,559
TOTAL	\$ 672,242,253	\$ 729,773,141	\$ 729,773,141	\$ 729,773,141
General Revenue Fund	601,107,684	663,910,316	663,910,316	664,330,844
Lottery Proceeds Fund	70,985,490	65,862,825	65,862,825	65,442,297
Healthy Families Trust Fund-Health Care Treatment and Accessibility Fund	149,079	0	0	0

Fiscal Year 2004 Governor's Recommendations

- \$420,528 replacing lottery proceeds fund to ensure equity in the proportion of lottery proceeds fund to general revenue funding.
- (\$420,528) lottery proceeds fund core reduction from the Fiscal Year 2004 appropriation level.

**DEPARTMENT OF HIGHER EDUCATION
UNIVERSITY OF MISSOURI – RELATED PROGRAMS**

FINANCIAL SUMMARY

	FY 2002 EXPENDITURE	FY 2003 APPROPRIATION	FY 2004 REQUEST	GOVERNOR RECOMMENDS FY 2004
MOBIUS	\$ 649,539	\$ 649,539	\$ 649,539	\$ 649,539
MOREnet	10,522,913	10,216,571	10,216,571	15,004,401
University Hospital and Clinics	7,854,184	8,911,671	8,911,671	8,911,671
Ellis Fischel Cancer Center	3,717,885	4,223,786	4,223,786	4,223,786
Missouri Rehabilitation Center	8,850,440	10,116,691	10,116,691	10,116,691
Missouri Institute of Mental Health	2,073,476	2,299,850	2,299,850	2,299,850
Missouri Kidney Program	3,621,406	4,016,774	4,016,774	4,016,774
State Historical Society	831,790	922,601	922,601	922,601
Alzheimer's Research Program	145,309	227,375	227,375	227,375
Spinal Cord Injury	0	375,000	375,000	375,000
State Seminary Investments	1,153,651	1,500,000	1,500,000	1,500,000
State Seminary Income on Investments	222,767	250,000	250,000	250,000
TOTAL	\$ 39,643,360	\$ 43,709,858	\$ 43,709,858	\$ 48,497,688
General Revenue Fund	38,266,942	41,584,858	41,584,858	46,372,688
Spinal Cord Injury Fund	0	375,000	375,000	375,000
State Seminary Fund	222,767	250,000	250,000	250,000
State Seminary Moneys Fund	1,153,651	1,500,000	1,500,000	1,500,000

UNIVERSITY OF MISSOURI – RELATED PROGRAMS

The University of Missouri has administrative responsibility for a range of programs that are related to its institutional mission, but are not a part of the education and general operations: Missouri Bibliographic Information User System (MOBIUS), Missouri Research and Education Network (MOREnet), University Hospital and Clinics, Ellis Fischel Cancer Center, Missouri Rehabilitation Center, Missouri Institute of Mental Health, Missouri Kidney Program, the State Historical Society, Alzheimer's Research Program, Spinal Cord Injury Research Program, and investments and interest from state seminary fund and state seminary moneys fund.

MISSOURI BIBLIOGRAPHIC INFORMATION USER SYSTEM (MOBIUS)

The Missouri Bibliographic Information User System, also known as MOBIUS, is a consortium of academic libraries with member colleges and universities in the state of Missouri. Fifty charter members began the project in January 1999. The largest single project for which MOBIUS is responsible is the Common Library Platform (CLP) project. The Common Library Platform is a collaboration among state agencies and public and independent colleges and universities that allows academic libraries to share approximately \$1 billion worth of library books and materials owned by Missouri's higher education institutions. The University of Missouri serves as the host site to administer and operate the shared system hardware and software.

Fiscal Year 2004 Governor's Recommendations

Continue funding at the current level.

MISSOURI RESEARCH AND EDUCATION NETWORK (MOREnet)

MOREnet operates a shared network infrastructure for elementary and secondary education, higher education, public libraries, and community information networks. This shared network infrastructure includes connections to the Internet and a statewide backbone with hubs to connect each site. MOREnet integrates voice, video, and data transmissions, as well as handles the ever-increasing demand for network capacity to conduct research.

Fiscal Year 2004 Governor's Recommendations

- \$4,787,830 transferred from the Department of Elementary and Secondary Education.

DEPARTMENT OF HIGHER EDUCATION

UNIVERSITY OF MISSOURI – RELATED PROGRAMS (Continued)

HOSPITAL AND CLINICS

The University of Missouri-Columbia operates a teaching facility for medical, nursing, and other health care field students. In addition, the facility provides inpatient care, outpatient care, and specialized medical services to both area residents and persons referred from throughout the state. The hospital budget includes costs associated with providing patient care and maintenance of the facility. Instructional and research activity cost are included in the university's general operating budget.

Fiscal Year 2004 Governor's Recommendations

Continue funding at the current level.

ELLIS FISCHER CANCER CENTER

The Ellis Fischer Cancer Center provides comprehensive medical treatment, conducts clinical research, and offers education to both health professionals and Missourians at large.

Fiscal Year 2004 Governor's Recommendations

Continue funding at the current level.

MISSOURI REHABILITATION CENTER

The Missouri Rehabilitation Center provides medical treatment for traumatic brain injury, comprehensive rehabilitation services, pulmonary/ventilator rehabilitation, tuberculosis treatment, terminal and acute care, and outpatient services.

Fiscal Year 2004 Governor's Recommendations

Continue funding at the current level.

MISSOURI INSTITUTE OF MENTAL HEALTH

The Missouri Institute of Mental Health, operated by the School of Medicine of the University of Missouri at Columbia, is a mental health research and teaching institute that provides educational and staff support to the Department of Mental Health. The institute researches the basic causes of mental illness and methods for improved patient care and operates training programs for mental health professionals.

Fiscal Year 2004 Governor's Recommendations

Continue funding at the current level.

MISSOURI KIDNEY PROGRAM

The Missouri Kidney Program enables Missourians with end-stage renal disease to obtain treatment. The program contracts with federally approved dialysis centers and facilities and pays those costs of dialysis or kidney transplantation not paid by other sources such as Medicare, Medicaid, and private insurance. Patients' drugs, transportation expenses, and medical bills are paid by the program, along with the needed medical equipment and supply costs.

Fiscal Year 2004 Governor's Recommendations

Continue funding at the current level.

STATE HISTORICAL SOCIETY

The State Historical Society of Missouri is directed by statute to collect, preserve, publish, and make accessible those materials that pertain to the history of Missouri and western America. The staff conducts research projects, publish the quarterly Missouri Historical Review, and produce other publications.

Fiscal Year 2004 Governor's Recommendations

Continue funding at the current level.

DEPARTMENT OF HIGHER EDUCATION

UNIVERSITY OF MISSOURI – RELATED PROGRAMS (Continued)

ALZHEIMER'S RESEARCH PROGRAM

The program funds research that will advance knowledge concerning Alzheimer's disease and related disorders. An advisory board makes research awards to investigators in public or private educational, health care, and research institutions and other voluntary health associations.

Fiscal Year 2004 Governor's Recommendations

Continue funding at the current level.

SPINAL CORD INJURY RESEARCH

The program, established by HB 218 (2001) and HB 302 & 38 (2001), funds research that will advance knowledge concerning spinal cord injuries and congenital or acquired disease processes. Research awards are made by an advisory board to investigators in public or private educational, health care, and research institutions and other voluntary health associations.

Fiscal Year 2004 Governor's Recommendations

Continue funding at the current level.

STATE SEMINARY FUND INVESTMENTS AND INTEREST ON INVESTMENTS

The state seminary fund consists of the proceeds of the sale of land donated to the state, proceeds from a direct tax received from the United States, the James S. Rollins scholarship fund, and others. Income from the state seminary moneys fund is given to the University of Missouri as required by Article IX, Section 6, Missouri Constitution, and by Chapter 172.610, RSMo.

Fiscal Year 2004 Governor's Recommendations

Continue funding at the current level.

DEPARTMENT OF REVENUE

FINANCIAL SUMMARY

	FY 2002 EXPENDITURE	FY 2003 APPROPRIATION	FY 2004 REQUEST	GOVERNOR RECOMMENDS FY 2004
Division of Administration	\$ 16,578,098	\$ 18,555,383	\$ 18,502,964	\$ 18,147,506
Division of Taxation	32,438,477	33,679,863	35,693,734	43,321,855
Division of Motor Vehicle and Drivers Licensing	32,311,207	36,447,337	36,737,064	37,057,213
Highway Reciprocity Commission	1,235,925	1,578,305	0	0
State Tax Commission	3,280,149	3,302,798	3,302,798	3,298,587
Refunds and Distributions	1,362,605,060	1,384,139,578	1,446,292,465	1,446,142,465
State Lottery Commission	119,232,583	123,509,516	127,525,516	127,566,885
DEPARTMENTAL TOTAL	\$ 1,567,681,499	\$ 1,601,212,780 *	\$ 1,668,054,541	\$ 1,675,534,511
General Revenue Fund	1,185,491,091	1,187,587,534	1,276,361,911	1,276,584,959
Federal Funds	494,644	3,479,453	3,479,453	8,048,678
Child Support Enforcement Collection Fund	0	0	0	2,398,293
Health Initiatives Fund	134,393	92,402	137,061	137,572
Gaming Proceeds for Education Fund	323,803	25,000	323,803	323,803
Gaming Commission Fund	49,075	25,000	49,075	49,075
Division of Aging Elderly Home				
Delivered Meals Trust Fund	10,800	21,604	21,604	21,604
Solid Waste Management Fund	32,409	25,000	32,409	32,409
Petroleum Storage Tank Insurance Fund	22,888	23,615	23,615	23,896
Motor Vehicle Commission Fund	672,194	679,133	736,133	741,623
Conservation Commission Fund	504,985	506,054	540,663	561,177
State School Moneys Fund	191,721	17,000	191,721	191,721
Department of Revenue Information Fund	892,082	949,764	963,732	969,722
State Highways and Transportation				
Department Fund	82,213,918	94,053,028	67,475,031	67,689,928
Workers' Compensation Fund	526,203	1,669,902	1,669,902	1,669,902
Second Injury Fund	700,725	498,966	248,966	248,966
Lottery Enterprise Fund	119,232,583	123,509,516	127,525,516	127,566,885
Petroleum Inspection Fund	30,236	30,809	30,809	31,161
Motor Fuel Tax Fund	175,914,612	188,000,000	188,000,000	188,000,000
Fair Share Fund	85,210	3,000	85,210	85,210
Aviation Trust Fund	157,927	16,000	157,927	157,927
Full-time equivalent employees	2,221.71	2,206.77	2,209.27	2,194.70

* Does not include \$9,175 recommended in the Fiscal Year 2003 Supplemental Appropriations. See the Supplemental section of the Missouri Budget for details regarding Department of Revenue supplemental appropriations.

POLICY SUMMARY

The Department of Revenue serves as the primary revenue collection agency for the State of Missouri. The department strives to ensure that all taxes and fees owed the state are paid, taxpayers are served conscientiously and efficiently, and revenues are collected at minimal administrative expense.

A weakened economy and considerable growth in mandatory programs like Medicaid has resulted in the most significant challenge the state has faced since the Depression. The Fiscal Year 2004 budget includes substantial core reductions. However, the budget also recognizes that the state cannot cut its way out of the current fiscal problems without severely reducing essential services provided to Missourians. General revenue budget increases have been limited to mandatory programs. Governor Holden's priorities are protecting the state's investment in education and ensuring that our most vulnerable citizens – children, the elderly, and disabled – are shielded to the greatest extent possible from budget reductions.

DEPARTMENT OF REVENUE

POLICY SUMMARY (Continued)

Enhanced Collections

The Department of Revenue is responsible for administering Missouri tax laws and collecting revenue due to the state and local taxing jurisdictions. The department is responsible for contacting individuals and businesses that have unpaid tax liabilities and performing appropriate collection procedures. The collection activities include billing and assessing unpaid taxes, filing liens, pursuing bad checks, certifying delinquencies to local prosecuting attorneys, and making referrals to independent collection agencies. Ensuring that individuals and businesses remit their share of taxes and fees owed to the state is essential if taxes and fees are to be kept at a minimal level while still generating sufficient revenue to fund important state services. In the Fiscal Year 2004 budget, Governor Holden recommends:

- \$1.9 million to generate an additional \$14 million in general revenue collections through:
 - Hiring auditors for computer-assisted audits.
 - Hiring part-time evening and Saturday telephone staff.
 - Focusing taxpayer service representatives on making outbound calls.
 - Conducting on-site sales tax license revocations.
 - Adding criminal investigation agents to assist in efforts to enforce tax compliance.
- \$2.5 million to generate \$7.3 million, including \$4.9 million in general revenue, by upgrading the department's collection system using a benefit-based agreement between the state and a private vendor. The vendor will only be paid provided the system enhancements generate new revenue in excess of an agreed upon baseline.

Implementing Legislation

The Governor recommends \$450,575 to implement legislation passed during 2002 including:

- SB 895 that requires the department to mail motor vehicle titles to the owner of the vehicle rather than the lending institution if there is a lien on the vehicle, and also makes changes regarding liens on manufactured homes. The department will be required to send an additional 1.1 million pieces of mail annually.
- SB 675 that requires motor voter applications be mailed from branch and fee offices within five days of completion of the application. Postage costs will increase due to the more frequent mailings to county election authorities.

Some performance measures the Department of Revenue uses to evaluate its goal of efficiently serving Missourians follow.

	2000	2001	2002
Average number of days to process an individual income tax refund			
– Tax forms submitted before April 15*	4.7 days	3.4 days	4.4 days
– Tax forms submitted after April 15*	14.1 days	12.1 days	11.6 days
Delinquent individual taxes collected (millions)	\$91.3	\$75.5	\$67.0
Delinquent business taxes collected (millions)	<u>\$117.9</u>	<u>\$116.9</u>	<u>\$121.1</u>
Total	\$209.2	\$192.4	\$188.1

*Excludes tax returns with mistakes and tax returns containing property tax credit claims.

DEPARTMENT OF REVENUE

DIVISION OF ADMINISTRATION

The Office of the Director is responsible for the processing and enforcement of tax and licensing functions. The administrative staff is responsible for all budgetary, accounting, and fiscal operations of the department. The legal counsel assists the divisions with their respective statutory functions, provides research and legislative assistance, and oversees the filing of administrative rules. The personnel office is responsible for recruiting and training employees, in addition to maintaining personnel records. The general services staff provides custodial, mail, and motor pool services. The criminal investigation bureau investigates suspected tax, motor vehicle, and driver's license fraud, and prepares cases for prosecution.

Fiscal Year 2004 Governor's Recommendations

- \$529,064 for postage rate increases, including \$270,161 general revenue.
- \$312,115 to implement legislation, including \$43,667 general revenue.
- \$13,442 other funds to accurately apportion postage costs among applicable funds.
- \$52,327 for pay plan, including \$18,894 general revenue.
- \$666 transferred from Statewide Leasing.
- (\$552,000) core reduction for one-time expenditures.
- (\$363,327) and (6) staff in core reduction from the Fiscal Year 2003 appropriation level, including (\$214,020) general revenue.
- (\$230,304) state highways and transportation department fund and (7) staff reallocated to the Division of Motor Vehicle and Drivers Licensing.
- (\$169,860) state highways and transportation department fund and (3.5) staff reallocated to the Division of Taxation.

DIVISION OF TAXATION

Division of Taxation staff prepares tax forms, processes returns, maintains records of tax revenues, and assists the public. The central processing bureau is responsible for the initial processing of tax returns and related documents. The field audit bureau is comprised of seven Missouri offices and four out-of-state offices. Field staff audits sales/use, motor fuel, and corporate income taxes. The tax administration bureau is responsible for administering the financial institutions tax, city and state sales/use taxes, motor fuel tax, cigarette tax, individual income tax, corporate income tax, employer withholding tax, inheritance tax, and senior and disabled citizen tax credits. The taxpayer assistance bureau is responsible for collecting unpaid taxes and provides assistance to taxpayers.

Fiscal Year 2004 Governor's Recommendations

- \$1,912,699 and 45.5 staff to generate additional general revenue collections.
- \$329,294 for pay plan, including \$294,082 general revenue.
- \$7,875,168 and three staff transferred from the Department of Social Services, including \$909,781 general revenue.
- \$169,860 state highways and transportation department fund and 3.5 staff reallocated from the Division of Administration.
- \$4,662 transferred from Statewide Leasing.
- (\$469,691) and (6.57) staff in core reduction from the Fiscal Year 2003 appropriation level.
- (\$180,000) core reduction for one-time expenditures.

DIVISION OF MOTOR VEHICLE AND DRIVERS LICENSING

The Division of Motor Vehicle and Drivers Licensing is responsible for titling, taxing, and registering motor vehicles and motorboats, and for administering the mandatory automobile liability insurance program. The drivers licensing bureau issues and renews operator and commercial drivers' licenses and maintains records of these transactions. The motor vehicle bureau titles and registers motor vehicles and marine vessels, and collects sales/use tax, city sales tax, and other vehicle charges. The motor vehicle bureau is also responsible for licensing motor vehicle manufacturers, motor vehicle dealers, and boat dealers in Missouri. When circumstances warrant such action, this bureau performs field investigations to determine whether license revocation proceedings should be undertaken. The field services bureau oversees 180 branch and agent offices that provide drivers' licensing, motor vehicle titling, and registration services. Branch offices provide individual driver's licensing, motor vehicle titling, and registration services in the metropolitan areas. These offices are responsible for collecting, depositing, and accounting for all applicable taxes and fees, and provide information and assistance to Missouri citizens.

Fiscal Year 2004 Governor's Recommendations

- \$138,460 state highways and transportation department fund and two staff to implement legislation.
- \$128,250 state highways and transportation department fund for increased license plate production costs.
- \$386,190 for pay plan, including \$3,122 general revenue.
- \$230,304 state highways and transportation department fund and 7 staff reallocated from the Division of Administration.
- \$1,332 transferred from Statewide Leasing.
- (\$274,660) and (15) staff in core reduction from the Fiscal Year 2003 appropriation level, including (\$57,076) general revenue.

DEPARTMENT OF REVENUE

HIGHWAY RECIPROCITY COMMISSION

The Highway Reciprocity Commission is responsible for annual registration of commercial vehicles for interstate operation. Through the Multi-State Agreement, Uniform Proration Agreement, and International Registration Plan, the commission has entered into reciprocal agreements with all other states and four Canadian provinces to ensure proper registration and collection of fees from regulated commercial vehicles.

Fiscal Year 2004 Governor's Recommendations

- (\$1,578,305) state highways and transportation department fund and (35) staff transferred to the Department of Transportation.

STATE TAX COMMISSION

The State Tax Commission is responsible for maintaining equalized assessed land valuations among Missouri's 114 counties and the city of St. Louis. In carrying out these responsibilities, the commission hears appeals from local boards of equalization on individual cases and corrects assessments that it determines to be unlawful, unfair, or arbitrary. The commission also establishes the taxable valuation for public service and utility companies operating in Missouri.

Fiscal Year 2004 Governor's Recommendations

- \$9,027 for pay plan.
- (\$13,238) core reduction from the Fiscal Year 2003 appropriation level.

**DEPARTMENT OF REVENUE
REFUNDS AND DISTRIBUTIONS**

FINANCIAL SUMMARY

	FY 2002 EXPENDITURE	FY 2003 APPROPRIATION	GOVERNOR RECOMMENDS FY 2004
Refunds from General Revenue Fund	\$ 1,116,640,512	\$ 1,110,600,000	\$ 1,201,800,000
Article X Refunds	0	5,950,034	0
Federal and Other Funds Refunds	405,287	75,000	405,287
State Share of Assessment Maintenance Costs	18,218,433	16,218,433	16,218,433
Certification Compensation	94,275	100,800	100,800
County Stock Insurance Tax	150,000	150,000	0
Refunds from the State Highways and Transportation Department Fund	2,256,441	2,147,711	1,147,711
Commercial Drivers' License Information System Fees	275,000	275,000	275,000
Problem Driver Pointer System	59,207	180,500	60,000
Attorney Fees	0	15,000	15,000
Motor Fuel Tax Distribution to Cities and Counties	175,914,612	188,000,000	188,000,000
Aviation Trust Fund Refunds	157,927	16,000	157,927
Motor Fuel Tax Refunds	33,510,071	44,219,423	19,219,423
Prosecuting Attorneys and Collection Agencies	2,096,914	2,728,000	2,728,000
County Filing Fees	169,364	200,000	200,000
Contingency Fees for Collection Enhancements	0	0	2,500,000
Refunds from Workers' Compensation Fund	526,203	1,669,902	1,669,902
Refunds from Second Injury Fund	700,725	498,966	248,966
Tobacco Tax Refunds	363,207	62,000	363,207
Refunds from Motor Vehicle Commission Fund	7,465	12,000	12,000
Multistate Tax Commission Dues	232,101	174,701	174,701
Debt Offset Refunds	10,452,615	10,512,884	10,512,884
Income Tax Refund Designations	374,701	333,224	333,224
TOTAL	\$ 1,362,605,060	\$ 1,384,139,578	\$ 1,446,142,465
General Revenue Fund	1,148,428,915	1,146,968,076	1,233,983,433
Health Initiatives Fund	86,276	42,000	86,276
Gaming Proceeds for Education Fund	323,803	25,000	323,803
Gaming Commission Fund	49,075	25,000	49,075
Solid Waste Management Fund	32,409	25,000	32,409
Motor Vehicle Commission Fund	7,465	12,000	12,000
Conservation Commission Fund	0	0	34,609
State School Moneys Fund	191,721	17,000	191,721
State Highways and Transportation Department Fund	36,100,719	46,837,634	21,267,134
Workers' Compensation Fund	526,203	1,669,902	1,669,902
Second Injury Fund	700,725	498,966	248,966
Motor Fuel Tax Fund	175,914,612	188,000,000	188,000,000
Fair Share Fund	85,210	3,000	85,210
Aviation Trust Fund	157,927	16,000	157,927

REFUNDS FROM GENERAL REVENUE

This appropriation is utilized to refund erroneous payments or overpayments of individual and corporate income taxes and other miscellaneous taxes that have been credited to general revenue.

Fiscal Year 2004 Governor's Recommendations

- \$91,200,000 for a total recommendation of an estimated \$1,201,800,000.

DEPARTMENT OF REVENUE

REFUNDS AND DISTRIBUTIONS (Continued)

ARTICLE X REFUNDS

Article X, Sections 16-24, Constitution of Missouri, requires refunds to taxpayers when the limit on total state revenues established in Article X is exceeded by one percent or more. The excess revenues are to be refunded pro rata based upon taxpayer liability reported on the Missouri state income tax returns filed following the close of the fiscal year in which the revenue limit was exceeded.

Fiscal Year 2004 Governor's Recommendations

- (\$5,950,034) core reduction from the Fiscal Year 2003 appropriation level.

REFUNDS FROM FEDERAL AND OTHER FUNDS

This appropriation is utilized to refund erroneous payments or overpayments of taxes that have been credited to funds besides general revenue.

Fiscal Year 2004 Governor's Recommendations

- \$330,287 federal and other funds for a total recommendation of an estimated \$405,287.

STATE SHARE OF ASSESSMENT MAINTENANCE COSTS

The state reimburses a portion of the costs and expenses for maintaining property assessments and preparing assessment lists and tax bills for township assessors, county assessors, and the St. Louis City Assessor. The state also reimburses all county assessors, except those in first-class chartered counties, on a quarterly basis provided they remain certified with the State Tax Commission.

Fiscal Year 2004 Governor's Recommendations

Continue funding at the current level.

COUNTY STOCK INSURANCE TAX

The county stock insurance tax is a two percent per annum tax levied on direct premiums received by stock insurance companies doing business in the State of Missouri. Through the provisions of Section 148.330, RSMo, the receipts of the county stock insurance tax are distributed by the state to the county treasurers and treasurers of the school districts of counties in which stock insurance companies are located.

Fiscal Year 2004 Governor's Recommendations

- (\$150,000) core reduction from the Fiscal Year 2003 appropriation level.

REFUNDS FROM THE STATE HIGHWAYS AND TRANSPORTATION DEPARTMENT FUND

When an overpayment or error is made on a transaction credited to the state highways and transportation department fund, the difference is refunded to the individual or business involved.

Fiscal Year 2004 Governor's Recommendations

- (\$1,000,000) state highways and transportation department fund transferred to the Department of Transportation.

DEPARTMENT OF REVENUE

REFUNDS AND DISTRIBUTIONS (Continued)

COMMERCIAL DRIVERS' LICENSING INFORMATION SYSTEM

The federal Commercial Motor Vehicle Safety Act of 1986 required states to develop uniform commercial drivers' licensing systems or face the loss of federal highway funds. HB 3 (1989 Special Session) made the necessary changes to Missouri law to implement the commercial drivers' licensing information system.

Fiscal Year 2004 Governor's Recommendations

Continue funding at the current level.

PROBLEM DRIVER POINTER SYSTEM

The federal government required states to implement a problem driver pointer system by April 1995 to identify and manage problem drivers or face the loss of federal highway funds.

Fiscal Year 2004 Governor's Recommendations

- (\$120,500) state highways and transportation department fund core reduction from the Fiscal Year 2003 appropriation level.

ATTORNEY FEES

The Department of Revenue is required by Section 302.536, RSMo, to pay court costs and attorney fees of persons who have an appellate court reversal of a Section 302.535, RSMo, (DWI) suspension or revocation.

Fiscal Year 2004 Governor's Recommendations

Continue funding at the current level.

MOTOR FUEL TAX DISTRIBUTION TO CITIES AND COUNTIES

Article IV, Section 30(a)(2), Constitution of Missouri, requires 15 percent of the net proceeds from the motor fuel tax collections be allocated to the incorporated cities, towns, and villages of the state to assist in the maintenance of streets and highways.

Article IV, Section 30(a)(1), Constitution of Missouri, requires that 10 percent of the net proceeds from motor fuel tax collections be distributed to the counties to assist in the maintenance of county roads, highways, and bridges. On August 4, 1992, voters approved Constitutional Amendment No. 8 to require that 15 percent of the net proceeds resulting from any increase in the motor fuel tax rate over the rate in effect on March 31, 1992, be distributed to the counties to assist in the maintenance of county roads, highways, and bridges.

Fiscal Year 2004 Governor's Recommendations

Continue funding at the current level.

REFUNDS FROM AVIATION TRUST FUND

Taxes paid by commercial agricultural aircraft operators for aviation fuel used in commercial agricultural aircraft must be refunded upon application for a refund.

Fiscal Year 2004 Governor's Recommendations

- \$141,927 aviation trust fund for a total recommendation of an estimated \$157,927.

DEPARTMENT OF REVENUE

REFUNDS AND DISTRIBUTIONS (Continued)

MOTOR FUEL TAX REFUNDS

Section 142.230, RSMo, provides for refunds of taxes paid on fuel used to propel non-highway vehicles. Refunds of fuel taxes paid to propel agricultural, marine, and industrial/commercial vehicles are examples of allowable non-highway refunds. Unclaimed marine refunds are transferred to counties having at least 100 miles of shoreline for the purpose of maintaining county roads and bridges.

Fiscal Year 2004 Governor's Recommendations

- (\$25,000,000) state highways and transportation department fund transferred to the Department of Transportation.

PAYMENTS TO PROSECUTING ATTORNEYS AND COLLECTION AGENCY FEES

Section 136.150, RSMo, provides for payment of a collection fee of 20 percent of delinquent taxes, licenses, or fees recovered on behalf of the state by circuit or prosecuting attorneys. The collection fee is deposited in the county treasury with one-half of the fee for use by the attorney's office and one-half to be expended as the county determines. This incentive program provides additional resources to counties and a five-to-one benefit/cost ratio to the state.

The Department of Revenue is authorized by Section 140.850, RSMo, to use commercial collection agencies to collect delinquent personal income taxes owed by resident and non-resident taxpayers. The statutes permit payment of a collection fee not to exceed 25 percent of the amount collected. This program provides at least a four-to-one benefit/cost ratio to the state.

Fiscal Year 2004 Governor's Recommendations

Continue funding at the current level.

COUNTY FILING FEES

The Department of Revenue is authorized to file tax liens on property owned by taxpayers that are delinquent in income tax or sales/use tax. County recorders charge the Department of Revenue a fee of \$3.00 for the filing of each tax lien and a fee of \$1.50 for each release of a tax lien filed on property owned by taxpayers that are delinquent in income tax or sales/use tax.

Fiscal Year 2004 Governor's Recommendations

Continue funding at the current level.

CONTINGENCY FEES FOR COLLECTION ENHANCEMENTS

The Department of Revenue will contract with a private firm to generate additional general revenue collections through enhancements to its Computerized Assisted Collection System. The vendor will only be paid to the extent that the enhancements generate additional revenue in excess of an agreed upon baseline amount.

Fiscal Year 2004 Governor's Recommendations

- \$2,500,000 for revenue enhancements to the department's collection system, including \$1,915,391 general revenue.

REFUNDS FROM THE WORKERS' COMPENSATION FUND

The Department of Revenue is required to issue refunds for overpayment of workers' compensation taxes paid by insurance companies. Estimated quarterly tax payments are made based on the prior year's activity. If actual taxes owed are less than the estimated payments, this appropriation is used to refund the overpayment.

Fiscal Year 2004 Governor's Recommendations

Continue funding at the current level.

DEPARTMENT OF REVENUE

REFUNDS AND DISTRIBUTIONS (Continued)

REFUNDS FROM THE SECOND INJURY FUND

This appropriation is utilized by the Department of Revenue to refund any overpayment of funds to the second injury fund.

Fiscal Year 2004 Governor's Recommendations

- (\$250,000) second injury fund transferred to the Department of Labor and Industrial Relations.

TOBACCO TAX REFUNDS

These funds are used to make refunds for overpayments or erroneous payments of amounts that have been credited to the health initiatives fund, state school moneys fund, and the fair share fund for tobacco taxes.

Fiscal Year 2004 Governor's Recommendations

- \$301,207 other funds for a total recommendation of an estimated \$363,207.

REFUNDS FROM THE MOTOR VEHICLE COMMISSION FUND

These funds are utilized to make refunds for overpayments or erroneous payments of amounts that have been credited to the motor vehicle commission fund.

Fiscal Year 2004 Governor's Recommendations

Continue funding at the current level.

MULTISTATE TAX COMMISSION DUES

The Multistate Tax Commission and Compact facilitate determination of the tax liability of multi-state taxpayers, promote uniformity and compatibility in tax systems, avoid duplicative taxation, and provide taxpayer convenience in filing tax returns.

Fiscal Year 2004 Governor's Recommendations

Continue funding at the current level.

DEBT OFFSET REFUNDS

Chapter 143, RSMo, provides a mechanism to offset debts owed to the state against tax refunds payable to the debtor. The Department of Revenue transfers to the State Treasurer the amount of the debt certified to be owed to a state agency in an amount not exceeding the tax refund claimed. Any amount in excess of the debt is forwarded to the taxpayer. Upon settlement of the claim through the established administrative hearings process, the escrow funds are returned to the state agency and/or the payee.

Fiscal Year 2004 Governor's Recommendations

Continue funding at the current level.

INCOME TAX REFUND DESIGNATIONS

State statutes permit individuals and corporations to contribute a portion of any income tax refunds that they are owed to four separate state trust funds. The four trust funds include the children's trust fund (Section 210.174, RSMo), the division of aging elderly home delivered meals trust fund (Section 660.078, RSMo), the veterans' trust fund (Section 42.140, RSMo) and the Missouri National Guard trust fund (Section 41.215, RSMo). The amounts designated by taxpayers for distribution to the four trust funds are transferred from the general revenue fund.

Fiscal Year 2004 Governor's Recommendations

Continue funding at the current level.

DEPARTMENT OF REVENUE**STATE LOTTERY COMMISSION**

The Missouri State Lottery was established by voter approval of constitutional amendment No. 5 on November 6, 1984. On August 2, 1988, voters approved Constitutional Amendment No. 3 to revise the lottery prize structure and certain promotional restrictions.

Fiscal Year 2004 Governor's Recommendations

- \$4,016,000 lottery enterprise fund for costs related to anticipated ticket sales increases.
- \$41,369 lottery enterprise fund for pay plan.

	FY 2002 EXPENDITURE	FY 2003 APPROPRIATION	GOVERNOR RECOMMENDS FY 2004
Operating Expense			
Personal Service	\$ 6,352,709	\$ 6,570,699	\$ 6,612,068
Expense and Equipment	36,639,897	36,938,817	40,954,817
Prizes	<u>76,239,977</u>	<u>80,000,000</u>	<u>80,000,000</u>
TOTAL			
Lottery Enterprise Fund	\$ 119,232,583	\$ 123,509,516	\$ 127,566,885

Full-time equivalent employees	181.17	178.50	178.50
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LOTTERY ENTERPRISE FUND TRANSFER

Section 39(b) of Article III of the Missouri Constitution provides that a minimum of 45 percent of moneys received from the sale of lottery tickets shall be paid as prizes. On August 4, 1992, voters approved Constitutional Amendment No. 11 to dedicate net lottery proceeds to fund public institutions of elementary, secondary, and higher education.

Fiscal Year 2004 Governor's Recommendations

- \$186,898,100 lottery enterprise fund transfer to the lottery proceeds fund.

	FY 2002 EXPENDITURE	FY 2003 APPROPRIATION	GOVERNOR RECOMMENDS FY 2004
Lottery Enterprise Fund	\$ 160,092,441	\$ 193,898,100	\$ 186,898,100

DEPARTMENT OF TRANSPORTATION

FINANCIAL SUMMARY

	FY 2002 EXPENDITURE	FY 2003 APPROPRIATION	FY 2004 REQUEST	GOVERNOR RECOMMENDS FY 2004
Highway Administration	\$ 31,680,749	\$ 34,773,576	\$ 32,773,576	\$ 34,706,735
Fringe Benefits	88,691,460	96,760,765	115,345,326	115,525,070
Service Operations	92,390,213	99,748,380	100,058,510	100,102,689
Highway Maintenance	212,212,778	226,209,013	268,331,018	288,378,173
Highway Construction	1,320,693,250	1,364,008,629	1,156,686,918	1,159,357,838
Mississippi River Parkway Commission	30,596	0	0	0
Multimodal Operations and Programs	48,401,071	57,719,099	53,445,748	57,238,255
DEPARTMENTAL TOTAL	\$ 1,794,100,117	\$ 1,879,219,462	\$ 1,726,641,096	\$ 1,755,308,760
General Revenue Fund	16,482,799	10,812,775	10,817,592	14,605,087
Federal Funds	22,584,007	39,687,886	35,557,069	55,388,469
Motorcycle Safety Trust Fund	0	0	0	50,000
Grade Crossing Safety Account	0	0	1,500,000	1,500,000
State Road Fund	1,415,930,235	1,475,236,205	1,277,914,494	1,280,585,414
State Highways and Transportation Department Fund	329,625,095	346,068,798	392,722,398	395,047,463
Railroad Expense Fund	0	0	861,160	861,160
State Transportation Fund	1,583,174	1,619,529	1,644,332	1,644,630
Light Rail Safety Fund	0	0	1	1
State Transportation Assistance Revolving Fund	273,372	740,340	550,000	550,000
Aviation Trust Fund	7,621,435	5,053,929	5,074,050	5,076,536
Full-time equivalent employees	6,788.58	6,543.25	6,664.25	6,674.25

POLICY SUMMARY

The Governor's Fiscal Year 2004 budget recommendations for the Department of Transportation include \$1,755,308,760 for Missouri's transportation system. State, federal, and local funds are combined to provide funding for highway safety, maintenance and construction activities, transit programs, and related administrative functions. The budget supports over 32,000 miles of state highways, urban and rural transit systems, transportation programs for the elderly and handicapped citizens, public airports, ferry operations, passenger rail, and freight rail rehabilitation projects.

A weakened economy and considerable growth in mandatory programs like Medicaid has resulted in the most significant challenge the state has faced since the Depression. The Fiscal Year 2004 budget includes substantial core reductions. However, the budget also recognizes that the state cannot cut its way out of the current fiscal problems without severely reducing essential services provided to Missourians. General revenue budget increases have been limited to mandatory programs. Governor Holden's priorities are protecting the state's investment in education and ensuring that our most vulnerable citizens – children, the elderly, and disabled – are shielded to the greatest extent possible from budget reductions.

Preserving and Enhancing Missouri's Road and Bridge System

Because of its central location, Missouri is a crossroads for national and international traffic. As a result, the condition of the state's road and bridge system greatly impacts the efficient movement of people and goods across North America. Missouri's road and bridge system is the seventh largest in the nation, which provides numerous opportunities for improving the state economy. However, due to its size, a considerable investment is necessary to preserve and enhance the system. In 2000 the Department of Transportation was authorized to issue up to \$2.25 billion in bonds to finance road and bridge projects. Thus far, the department has issued \$653 million in bonds, and plans an additional Fiscal Year 2004 issuance of \$254 million. For Fiscal Year 2004 Governor Holden recommends:

- \$256,000,000 to utilize highway bond proceeds and interest earnings for road and bridge projects. This amount includes \$2,000,000 in potential interest earnings on the bond proceeds.
- \$2,670,920 state highways and transportation department fund reallocated to the Department of Transportation from other state agencies.

DEPARTMENT OF TRANSPORTATION

POLICY SUMMARY (Continued)

Improving Coordination of Highway Safety Activities

In an effort to streamline programs that improve the safety of drivers on Missouri roadways, Governor Holden recommends transferring the Division of Highway Safety from the Department of Public Safety to the Department of Transportation. Current programs in the Division of Highway Safety will complement those already administered by the Department of Transportation. The department spends a considerable amount of time and resources to improve the safety of Missouri roadways, but making roadway improvements is not the only way to enhance motorist safety. Programs sponsored by the Division of Highway Safety are designed to improve traffic safety by educating the driving public on issues such as seatbelt usage, the dangers of driving aggressively, and driving under the influence. Combining these functions within one department will allow for a more coordinated approach to highway safety activities and will result in administrative savings of approximately \$333,500 and nine staff. For Fiscal Year 2004 Governor Holden recommends:

- \$19,454,000 for highway safety grants transferred from the Department of Public Safety-Division of Highway Safety.
- \$590,707 and ten staff transferred from the Department of Public Safety-Division of Highway Safety.

Maintaining Amtrak Rail Passenger Service

Amtrak rail passenger service provides a transportation alternative to driving for approximately 190,000 passengers annually. This service is available to all Missourians, but is of particular importance to individuals who are unable to drive due to physical limitations or because they do not own a vehicle. For Fiscal Year 2004 Governor Holden recommends:

- \$3.9 million to maintain daily, round-trip, rail passenger service between St. Louis and Kansas City.

Some performance measures the Department of Transportation uses to evaluate its goal of preserving and improving Missouri's transportation system to enhance safety and encourage prosperity follow.

	1999	2000	2001
Rate of vehicle accidents per 100 million miles traveled (state system only)	193.03	185.45	193.63
Rate of injury accidents per 100 million vehicle miles (state system only)	56.03	53.98	54.63
Rate of fatal accidents per 100 million vehicle miles (state system only)	1.57	1.55	1.52
Vehicle miles traveled annually (state system only)	46.9 billion	47.0 billion	47.5 billion
Percent of bridges that meet condition standards	85.8%	85.7%	85.8%

	2000	2001	2002
Amtrak ridership	204,766	207,928	188,800
Barge tonnage loaded/unloaded at Missouri ports	3,686,952	3,521,671	3,800,000
Missouri Elderly and Handicapped Transportation Assistance Program – number of trips provided	4,922,574	4,516,407	4,356,938

DEPARTMENT OF TRANSPORTATION

HIGHWAY ADMINISTRATION

This section includes divisions that support the activities of the Highways and Transportation Commission, as well as the central functions of highway planning, design, right-of-way acquisition, finance, and district engineer activities.

Fiscal Year 2004 Governor's Recommendations

- \$1,933,159 state highways and transportation department fund for pay plan.
- (\$2,000,000) state highways and transportation department fund reallocation of administrative savings to the Highway Maintenance Program.

FRINGE BENEFITS

This section includes the costs of providing retirement benefits, medical and life insurance, and workers' compensation for all Department of Transportation employees that are members of the Highway Employees and Highway Patrol Retirement System.

Fiscal Year 2004 Governor's Recommendations

- \$17,974,591 for increased fringe benefit costs, including \$4,817 general revenue.
- \$610,167 federal and other funds transferred from the Office of Administration for fringe benefits related to One-Stop Motor Carrier Services staff transferred from the Departments of Revenue and Economic Development.
- \$179,744 federal and other funds transferred from the Department of Public Safety/Division of Highway Safety to consolidate highway safety functions in the Department of Transportation.
- (\$197) state transportation fund core reduction from the Fiscal Year 2003 appropriation level.

SERVICE OPERATIONS

This program consists of the General Services and Information Systems Divisions. General Services provides fleet and facilities management, graphic services, procurement, and other special services. Information Systems provides support for information technology, networks, and systems.

Fiscal Year 2004 Governor's Recommendations

- \$310,129 state highways and transportation department fund transferred from the Office of Administration for leasing expenses related to One-Stop Motor Carrier Services staff transferred from the Departments of Revenue and Economic Development.
- \$44,180 state highways and transportation department fund transferred from the Department of Public Safety/Division of Highway Safety to consolidate highway safety functions in the Department of Transportation.

DEPARTMENT OF TRANSPORTATION

HIGHWAY MAINTENANCE

This program maintains the state road system through road and shoulder rehabilitation, bridge repair and maintenance, snow and ice removal, and mowing, among other activities.

Fiscal Year 2004 Governor's Recommendations

- \$1,070,266 federal funds and 14 staff for a Motor Carrier New Entrant Safety Assurance Program.
- \$2,448 federal and other funds for pay plan.
- \$26,000,000 state highways and transportation department fund transferred from the Department of Revenue for refunds of erroneous payments or overpayments of motor fuel taxes.
- \$20,044,707 federal and other funds and 10 staff transferred from the Department of Public Safety to consolidate highway safety functions in the Department of Transportation.
- \$8,000,000 state highways and transportation department fund core reallocation from Highway Construction.
- \$3,473,434 federal and other funds and 61.55 staff transferred from the Department of Economic Development to consolidate motor carrier services in the Department of Transportation.
- \$2,000,000 state highways and transportation department fund core reallocation of administrative savings from Highway Administration.
- \$1,578,305 federal and other funds and 35.45 staff transferred from the Department of Revenue to consolidate motor carrier services in the Department of Transportation.

	FY 2002 EXPENDITURE	FY 2003 APPROPRIATION	GOVERNOR RECOMMENDS FY 2004
PERSONAL SERVICE			
Federal Funds	\$ 0	\$ 0	\$ 1,190,092
State Highways and Transportation Department Fund	113,861,951	118,943,290	122,070,198
EXPENSE AND EQUIPMENT			
Federal Funds	0	0	1,844,907
Motorcycle Safety Trust Fund	0	0	50,000
State Road Fund	97,777,418	107,265,722	116,675,404
State Highways and Transportation Department Fund	0	0	1,324,502
PROGRAM SPECIFIC DISTRIBUTION			
Federal Funds	0	0	18,632,751
State Road Fund	573,409	1	590,319
State Highways and Transportation Department Fund	0	0	26,000,000
TOTAL	\$ 212,212,778	\$ 226,209,013	\$ 288,378,173
Federal Funds	0	0	21,667,750
Motorcycle Safety Trust Fund	0	0	50,000
State Road Fund	98,350,827	107,265,723	117,265,723
State Highways and Transportation Department Fund	113,861,951	118,943,290	149,394,700
Full-time equivalent employees	3,684.78	3,586.75	3,707.75

DEPARTMENT OF TRANSPORTATION

HIGHWAY CONSTRUCTION

This program includes activities such as land acquisition, letting of contracts for road and bridge construction, construction monitoring, and transportation enhancement activities.

Fiscal Year 2004 Governor's Recommendations

- \$256,000,000 state road fund to utilize bond proceeds for road and bridge projects.
- \$13,546,541 state road fund for debt service on outstanding road bonds issued by the Department of Transportation.
- \$1,300,000 state road fund for transportation enhancement projects statewide.
- \$2,670,920 state road fund available due to state highways and transportation department fund budget reductions to other state agencies.
- (\$470,168,252) state road fund core reduction from the Fiscal Year 2003 appropriation level, to accurately reflect available funding for road and bridge projects.
- (\$8,000,000) state road fund core reallocation to Highway Maintenance.

	FY 2002 EXPENDITURE	FY 2003 APPROPRIATION	GOVERNOR RECOMMENDS FY 2004
PERSONAL SERVICE			
State Highways and Transportation Department Fund	\$ 79,931,597	\$ 78,882,934	\$ 78,882,934
EXPENSE AND EQUIPMENT			
State Road Fund	1,126,838,130	1,054,136,189	888,338,561
PROGRAM SPECIFIC DISTRIBUTION			
State Road Fund	<u>113,923,523</u>	<u>230,989,506</u>	<u>192,136,343</u>
TOTAL	\$ 1,320,693,250	\$ 1,364,008,629	\$ 1,159,357,838
State Road Fund	1,240,761,653	1,285,125,695	1,080,474,904
State Highways and Transportation Department Fund	79,931,597	78,882,934	78,882,934
Full-time equivalent employees	2,066.23	1,913.00	1,913.00

**DEPARTMENT OF TRANSPORTATION
MULTIMODAL OPERATIONS AND PROGRAMS**

FINANCIAL SUMMARY

	FY 2002 EXPENDITURE	FY 2003 APPROPRIATION	GOVERNOR RECOMMENDS FY 2004
Multimodal Operations	\$ 9,699,235	\$ 10,470,352	\$ 7,317,618
Transit Programs			
Capital Assistance for Transportation of Elderly and Handicapped Citizens	1,710,037	1,600,739	2,003,255
State Aid for Transportation of Elderly, Handicapped, and Low-Income Citizens	2,844,942	2,793,805	2,793,805
Urban Transit Grants	0	3,974,641	1
Small Urban and Rural Transportation	4,104,344	5,106,574	5,828,263
Public Transit Capital Grants	6,142,527	12,000,000	12,000,000
Planning Grants	830,361	908,000	1,120,311
Railroad Programs			
Local Rail Freight Assistance Program	0	1	1
State Amtrak Assistance	6,057,000	5,000,000	8,900,000
Amtrak Station Improvements and Advertising	98,074	25,000	25,000
Light Rail Safety	0	0	1
Railroad Grade Crossing Hazards	0	0	1,500,000
Aviation Programs			
State Aid to Airports	7,198,269	4,600,000	4,600,000
Federal Aviation Assistance	9,303,951	11,000,000	11,000,000
Waterways Programs			
Port Authority Financial Assistance	412,331	239,987	150,000
TOTAL	\$ 48,401,071	\$ 57,719,099	\$ 57,238,255
PERSONAL SERVICE			
General Revenue Fund	300,810	330,945	333,427
Federal Funds	270,012	469,659	471,887
State Highways and Transportation Department Fund	143,722	162,996	162,996
State Transportation Fund	36,108	45,187	45,485
Other Funds	301,307	326,960	767,215
EXPENSE AND EQUIPMENT			
General Revenue Fund	103,039	33,082	26,006
Federal Funds	125,079	1,403,119	650,000
State Road Fund	7,107	15,000	15,000
State Transportation Fund	8,616	25,000	25,000
Other Funds	83,229	28,851	286,083
PROGRAM SPECIFIC DISTRIBUTION			
General Revenue Fund	7,854,403	6,566,025	10,358,114
Federal Funds	22,106,538	37,673,926	32,023,331
Grade Crossing Safety Account	0	0	1,500,000
State Transportation Fund	1,527,464	1,532,420	1,557,420
Other Funds	7,416,699	5,340,340	5,250,702
FUND TRANSFERS			
General Revenue Fund	8,116,938	3,765,589	3,765,589
TOTAL	\$ 48,401,071	\$ 57,719,099	\$ 57,238,255
General Revenue Fund	16,375,190	10,695,641	14,483,136
Federal Funds	22,501,629	39,546,704	33,145,218
Grade Crossing Safety Account	0	0	1,500,000
State Road Fund	7,107	15,000	15,000
State Transportation Fund	1,572,188	1,602,607	1,627,905
State Highways and Transportation Department Fund	143,722	162,996	162,996
Other Funds	7,801,235	5,696,151	6,304,000
Full-time equivalent employees	23.70	27.00	37.00

DEPARTMENT OF TRANSPORTATION

MULTIMODAL OPERATIONS AND PROGRAMS (Continued)

MULTIMODAL OPERATIONS

The director for Multimodal Operations, supported by professional and accounting staff, is responsible for overseeing the performance of duties in the areas of transit, railroads, aviation, and waterways.

The transit section is responsible for evaluation and coordination of local applications for transit assistance, assessment of statewide transit needs, completion of local transit development studies, negotiation of service contracts for elderly and handicapped transportation, and monitoring of all contracts for compliance. In addition, the section provides training and technical assistance to special and general transportation providers as specified under the transit provisions in Chapter 53 of Title 49, United States Code.

The railroad section's duties include planning, promotion, and development of improved rail freight and passenger service in and through Missouri and retention of rail service. These measures are necessary to ensure that the rail industry remains a viable and useful component of the state's economy.

The aviation section is responsible for maintaining the state airport systems plan, which is updated annually through on-site inspections. Aviation staff also provides administrative and engineering assistance to local governments to secure available federal grants and successfully implement airport improvement plans.

Waterways personnel assist local port authorities in the promotion of waterborne transportation through the provision of technical assistance and planning grants that the port authorities utilize for managerial, engineering, legal, research, planning, promotional, and other related expenses.

Fiscal Year 2004 Governor's Recommendations

- \$7,494 for pay plan, including \$2,482 general revenue.
- \$795,702 federal and other funds and ten staff transferred from the Department of Economic Development to consolidate railroad and motor carrier services in the Department of Transportation.
- (\$3,955,930) federal and other funds core reduction from the Fiscal Year 2003 appropriation level to accurately reflect available funding for transit and revolving loan programs.

CAPITAL ASSISTANCE FOR TRANSPORTATION OF ELDERLY AND DISABLED CITIZENS

Section 5310 provides capital assistance to local not-for-profit transportation providers and public entities serving the elderly and people with disabilities. These grants require a 20 percent local match for bus, van, and related equipment purchases. The department's transit section evaluates applications from local providers and executes contracts in accordance with federal guidelines. Vehicles secured through the program are monitored by the transit section on a monthly basis with respect to the type and extent of use.

Fiscal Year 2004 Governor's Recommendations

- \$402,516 federal funds for bus, van, and related equipment purchases by local not-for-profit transit providers and public entities.

STATE AID FOR TRANSPORTATION OF ELDERLY, DISABLED, AND LOW-INCOME CITIZENS

The Missouri Elderly and Handicapped Transportation Assistance Program provides state financial assistance to help defray operating costs incurred by not-for-profit transporters of the elderly and people with disabilities. State funds are used to supplement local, private, and federal funds available to these transit operators.

Fiscal Year 2004 Governor's Recommendations

Continue funding at the current level.

DEPARTMENT OF TRANSPORTATION

MULTIMODAL OPERATIONS AND PROGRAMS (Continued)

URBAN TRANSIT GRANTS

Section 5307 provides capital assistance and operating subsidies for public transportation systems in cities of 50,000 to 200,000 population. The cities of Columbia, Springfield, St. Joseph, and Joplin are eligible for grants under this program. Funds may be used to pay up to 80 percent of eligible capital expenses such as vehicle and equipment purchases, as well as to offset up to 50 percent of operating losses. The department's transit section is responsible for certification of local transit planning processes, processing applications for assistance, and monitoring funds under contract in this program.

Fiscal Year 2004 Governor's Recommendations

- (\$3,974,640) federal funds core reduction from the Fiscal Year 2003 appropriation level.

SMALL URBAN AND RURAL TRANSPORTATION DEVELOPMENT

Federal funds authorized under Section 5311 may be used to assist small urban and rural areas under 50,000 population to acquire capital equipment and finance the operation of public transit programs. An 80 percent federal match is available for capital acquisitions, while a 50 percent federal match is available for operating losses and administrative expenses.

Fiscal Year 2004 Governor's Recommendations

- \$721,689 federal funds for operating assistance for non-urbanized areas and small city transit systems.

PUBLIC TRANSIT CAPITAL GRANTS

Section 5309 provides federal financial assistance for the purchase of capital items. The Federal Transit Administrator approves all grant applications and establishes the match ratio. Applicants are responsible for providing the local share.

Fiscal Year 2004 Governor's Recommendations

Continue funding at the current level.

PLANNING GRANTS

Section 5303 provides federal financial assistance for metropolitan transit planning activities in six metropolitan areas – St. Louis, Kansas City, Springfield, Columbia, St. Joseph, and Joplin. Each metropolitan area is required to provide a 20 percent local share to match the 80 percent federal share. This program supports demographic forecasting, corridor studies, transit service analysis, route and schedule evaluation, financial capacity analysis, special needs investigations, and transit management studies.

Fiscal Year 2004 Governor's Recommendations

- \$212,311 federal funds for financial assistance for metropolitan transit planning activities.

LOCAL RAIL FREIGHT ASSISTANCE PROGRAM

Federal financial assistance is provided for acquisition, rehabilitation, improvement, or rail facility construction assistance through Section 5 of the Department of Transportation Act.

Fiscal Year 2004 Governor's Recommendations

Continue funding at the current level.

DEPARTMENT OF TRANSPORTATION

MULTIMODAL OPERATIONS AND PROGRAMS (Continued)

STATE AMTRAK ASSISTANCE/AMTRAK STATION IMPROVEMENTS AND ADVERTISING

Missouri participates in the federal Amtrak program, which requires the state to pay a portion of the operating losses for the “St. Louis – Kansas City Mule” and “Ann Rutledge” train service. Program costs depend upon revenues received from ridership and actual operating costs. The state also provides funding for an Amtrak advertising and station improvement program.

Fiscal Year 2004 Governor’s Recommendations

- \$3,900,000 to continue Amtrak twice-daily service across the state, including \$3,875,000 general revenue.

LIGHT RAIL SAFETY

In the event of a light rail accident, state staff is responsible for investigating the accident. The light rail operators then reimburse the state for services provided.

Fiscal Year 2004 Governor’s Recommendations

- \$15,000 light rail safety fund transferred from the Department of Economic Development.
- (\$14,999) light rail safety fund core reduction from the Fiscal Year 2003 appropriation level.

RAILROAD GRADE CROSSING SAFETY

This program provides resources to complete projects improving the safety of railroad grade crossings, such as adding gates or increasing signage.

Fiscal Year 2004 Governor’s Recommendations

- \$1,500,000 grade crossing safety fund for railroad grade crossing gates and hazard improvement projects.

STATE AID TO AIRPORTS/FEDERAL AVIATION ASSISTANCE

Section 305.230, RSMo, provides for an aviation trust fund to be used for providing matching grants to public airports for capital improvements; preventive maintenance of runways, taxiways, and aprons; and for emergency repairs on safety-related items. Aviation trust fund moneys may also be used for printing and distribution of state aeronautical charts and state airport directories.

Fiscal Year 2004 Governor’s Recommendations

Continue funding at the current level.

STATE AID TO PORT AUTHORITIES

State aid is currently available to local port authorities for administration, planning, and development activities such as financial and engineering studies. Port authorities currently active and receiving assistance are the Howard/Cooper County Regional Port Authority, Jefferson County Port Authority, Pemiscot County Port Authority, Southeast Missouri Regional Port Authority, Mississippi County Port Authority, New Madrid County Port Authority, New Bourbon Port Authority, St. Joseph Regional Port Authority, Lewis County-Canton Missouri Port Authority, and the Ports of Kansas City, St. Louis, and St. Louis City.

Fiscal Year 2004 Governor’s Recommendations

- (\$89,987) core reduction from the Fiscal Year 2003 appropriation level.

OFFICE OF ADMINISTRATION

FINANCIAL SUMMARY

	FY 2002 EXPENDITURE	FY 2003 APPROPRIATION	FY 2004 REQUEST	GOVERNOR RECOMMENDS FY 2004
Commissioner's Office	\$ 49,803,960	\$ 43,704,654	\$ 51,146,974	\$ 50,380,023
Division of Accounting	661,128,199	680,357,957	706,736,269	715,792,944
Division of Budget and Planning	1,859,689	1,830,012	1,830,012	1,823,155
Division of Information Services	8,667,368	8,136,167	8,215,211	7,755,607
Division of Design and Construction	1,645,711	2,061,676	1,956,918	1,960,878
Division of Personnel	3,382,219	3,427,485	3,419,365	3,234,318
Division of Purchasing and Materials Management	5,166,657	5,221,095	5,221,095	5,128,287
Division of Facilities Management	21,704,838	22,102,845	22,422,994	22,602,996
Division of General Services	24,456,011	24,097,589	25,597,589	25,364,769
Assigned Programs	7,466,247	16,040,705	22,432,431	22,846,273
TOTAL	\$ 785,280,899	\$ 806,980,185	\$ 848,978,858	\$ 856,889,250
General Revenue Fund	537,111,294	559,708,048	587,268,264	592,232,979
Federal Funds	135,032,446	127,990,978	139,030,371	140,303,857
Other Funds	113,137,159	119,281,159	122,680,223	124,352,414
Full-time equivalent employees	1,010.19	1,085.24	1,062.24	1,009.18

POLICY SUMMARY

The Office of Administration is the central state agency responsible for promoting government accountability, effectiveness, and efficiency. For Fiscal Year 2004, the Governor recommends an increase of \$49,909,065 for continued improvement in the use of state resources, employee benefits, and other responsibilities assigned to the Commissioner of Administration.

A weakened economy and considerable growth in mandatory programs like Medicaid has resulted in the most significant challenge the state has faced since the Depression. The Fiscal Year 2004 budget includes substantial core reductions. However, the budget also recognizes that the state cannot cut its way out of the current fiscal problems without severely reducing essential services provided to Missourians. General revenue budget increases have been limited to mandatory programs. Governor Holden's priorities are protecting the state's investment in education and ensuring that our most vulnerable citizens – children, the elderly, and disabled – are shielded to the greatest extent possible from budget reductions.

Following are some performance measures the Office Administration uses to evaluate its leadership in administering state operations:

	2000	2001	2002
Percentage of minority state employees earning in the top quartile	9.34%	9.44%	9.75%
Percentage of non-minority women state employees earning in top quartile	37.93%	38.11%	39.00%
Percentage of state government purchases from minorities	3.66%	5.63%	5.37%
Percentage of state government purchases from women	4.02%	5.24%	3.85%
General Revenue reductions or redirections (millions)	\$167.2	\$153.0	\$208.0

STATE EMPLOYEE COMPENSATION AND BENEFITS

The state of Missouri competes in the marketplace for qualified, high performing employees. This becomes increasingly difficult when the state faces economic stress and salary increases are kept small or sometimes foregone to achieve budgetary savings that are necessary to maintain other services. Although resources are limited in Fiscal Year 2004, Governor Holden recommends a salary increase for those state employees who make the lowest annual salaries, as well as significant increases for employees' health care and other fringe benefits. Recommendations include:

- A salary increase of \$600 for each employee with an annual salary of not greater than \$40,000 annually.

OFFICE OF ADMINISTRATION

POLICY SUMMARY (Continued)

- \$24,571,176 for increased costs to the state for participation in the Missouri Consolidated Health Care Plan, including \$17,179,787 general revenue.
- \$15,675,000 for increased costs to the state for participation in the Missouri State Employees Retirement System, including \$10,160,000 general revenue.
- \$5,496,000 for increased costs to the state for social security benefits, including \$3,840,000 general revenue.
- \$1,450,500 for increased costs to the state for unemployment benefits, including \$628,500 general revenue.
- \$1,000,000 general revenue for increased costs to the state for workers' compensation claims.

CONTINUED EFFICIENCY OF STATE GOVERNMENT OPERATIONS

Flight operations

The Office of Administration/Division of General Services has for many years owned and operated a fleet of airplanes to make more efficient use of travel time by agency personnel and elected officials. One result of the recent budget difficulties is the reduction in flight demand, which has in turn caused an excess capacity in the state aircraft fleet. As part of an effort to reduce costs to the state and streamline the services provided by the Office of Administration, the divisions of General Services and Purchasing will sell three state-owned airplanes (one Cessna Citation Jet and two Piper Navajo Aircraft) and purchase one Beechcraft King Air C-90. This effort will result in a one-time savings of approximately \$1 million general revenue.

Office and warehouse space consolidation efforts in Facilities Management-Leasing Division

In recent years, the Division of Facilities Management-Leasing Section has consolidated state agencies where possible to improve space efficiencies. Consolidation of numerous leases into one location reduces duplication of conference rooms, break areas, restrooms, and other common areas. The Division of Facilities Management-Leasing Section is recommending further consolidation, including "hoteling" within existing leased facilities. For example, in many of the offices in rural areas several state agencies rent space for one or two people as well as part-time functions. Where possible, the Division of Facilities Management-Leasing Section will vacate those types of leases and encourage space sharing within larger leased facilities. Also, many agencies currently rent warehouse space for storage of excess furniture and material. There is currently a large-scale effort underway to reduce the amount of leased storage space. Elimination of excess items currently in storage can lead to reductions in warehouse leases, resulting in significant annual savings to the state. The Division of Facilities Management is continuing to look for areas where there is the potential for increased efficiencies in the reduction, consolidation, and sharing of space within leased facilities.

Other significant items aimed at increasing the efficiency of operations

- During Fiscal Year 2004, the Division of Personnel will begin a process of reengineering the examination section to improve and streamline the process of establishing an applicant's placement on job rosters.
- Under new Office of Administration Fleet Management, there will be a mandated ten percent reduction in the state's vehicle fleet and restrictions on vehicle usage and purchases.
- The Office of Administration will lead an effort to reduce the state's enormous paper, printing, and storage costs by encouraging agencies to use low-cost alternatives, and by vigorously enforcing existing statutes that specify reporting requirements.
- The Office of Administration will oversee mail and travel restrictions. Through increased reliance on automation and use of the Internet, the goal is to achieve a ten percent reduction in mail volume and reduced travel.

SMART TECHNOLOGICAL INVESTMENTS

The Office of Administration strives to improve the state's business processes with the implementation of state-of-the-art technology. The Office of Information Technology within the Office of Administration works with a number of federal entities, including the Office of Management and Budget, Department of Justice, Department of Homeland Security, Environmental Protection Agency, and Small Business Administration, each of which offer federal funding opportunities annually for technology programs. The Fiscal Year 2004 budget supports the Office of Information Technology and its ability to secure grant money available at the federal level for the wise investment in technology – investments that will improve the productivity and effectiveness of state agencies, including:

- **E-GOVERNMENT OPERATIONS** - \$8.1 million (includes one staff) to continue the e-government initiative that was originally funded in Fiscal Year 2002. The funding includes the completion of the infrastructure, begins implementation of the business-to-business component, and implements the first phase of agency projects.
- **BUSINESS COMPLIANCE ONE STOP** - \$600,000 to develop a one-stop Internet portal that will allow businesses to conduct all activities associated with starting a new business or maintaining an existing business. This portal will allow the sharing of information between the federal and local governments. The activities are available to the citizen or business 24 hours a day, seven days a week. The state of Missouri has been specifically approached by the federal Small Business Administration to participate in this program.

OFFICE OF ADMINISTRATION

POLICY SUMMARY (Continued)

- **COMMERCIAL VEHICLE ONE STOP** - \$600,000 to develop a one-stop Internet portal that will allow those individuals and companies with an interest and a need to obtain various commercial motor vehicle operating permits to conduct all activities associated with obtaining those permits through a single source. This program will also allow the sharing of information between the federal and local governments. The resulting solutions will be available to the citizen or business 24 hours a day, seven days a week.

HOMELAND SECURITY

States' awareness of security has been heightened and it is necessary that measures be taken to ensure that sound plans are in place to respond to an emergency. It is critical that the infrastructure necessary to maintain the economy is secure and that the confidence of Missouri's citizens is maintained with regard to the state's ability to respond to an emergency. The Office of Administration is part of a statewide effort to enhance the security of the state's most precious assets. The following is recommended in support of this effort:

- **GEOGRAPHIC INFORMATION SYSTEMS** - \$3.7 million (includes three staff) for the Office of Information Technology so that Missouri can participate in a program for the development of a consolidation methodology and identification and adoption of standards to guide the state of Missouri to effectively manage spatial data through a consolidated geographic information system operation. The University of Missouri's Spatial Data Center will be used as a centralized registry for all state spatial data.
- **BUSINESS CONTINUITY** - \$1.8 million for the Office of Information Technology to continue the business continuity program begun in Fiscal Year 2003, which assesses the state's ability to continue to conduct business in catastrophic conditions or severe infrastructure failures. As a result of the assessment, a plan will be developed to provide continued State Data Center operations and the operation of various state agencies to support business operations. A plan will be developed to bring the state to 100 percent preparedness.

STATE SECURITY OFFICE

- \$214,701 for three staff in the Office of Information Technology to establish a State Information Security Office with responsibility for assessing information security risks and establishing information security and cyber security policies, standards, and strategies. Computer services provided by the state have become an integral business function to all state agencies and the information processed by these systems is now a major asset that must be protected and secured.

OFFICE OF ADMINISTRATION

COMMISSIONER'S OFFICE

The Commissioner directs the one agency that provides central services and support to all other agencies of state government. These services include accounting, budget and planning, information services, building design and construction, leasing operations, facilities management, personnel, purchasing, and general services. The Office of Administration also houses the Office of Information Technology, which directs statewide policy, procedures, and standards for information technology. Also included in the Office of Administration are the Missouri Ethics Commission, the Administrative Hearing Commission, the Children's Trust Fund, and the Children's Services Commission.

Fiscal Year 2004 Governor's Recommendations

- \$71,322 and one staff transferred from the Division of Design and Construction.
- \$7,711 for pay plan.
- (\$400,862) and (11) staff core reduction from the Fiscal Year 2003 appropriation level.

FLOOD CONTROL LANDS GRANT

The Flood Control Lands Grant is a "pass-through" of funds that represents 75 percent of the monies from leases of the land owned by the United States under the Flood Control Act. Sections 12.080 and 12.090, RSMo, prescribe that the funds be used for the benefit of public schools and public roads of the county in which the government land is situated. These funds may also be used for any expenses of the county government, including public obligations of levee and drainage districts for flood control and drainage improvements.

Fiscal Year 2004 Governor's Recommendations

Continue funding at the current level.

NATIONAL FOREST RESERVE GRANT

The National Forest Reserve Grant is a "pass-through" of funds which is received from the federal government. Sections 12.070 and 12.090, RSMo, provide for 25 percent of all the money received by the National Forest Reserve by the state to be expended for the benefit of public schools and public roads of the county in which the forest reserve is located. Of the total received, 75 percent will be spent for public schools and 25 percent for public roads.

Fiscal Year 2004 Governor's Recommendations

Continue funding at the current level.

CLARENCE CANNON PAYMENT

A contract with the U.S. Army Corps of Engineers, developed with the concurrence of the executive and legislative branches, requires that the state pay a share of the cost of water supply storage in Mark Twain Lake on the Salt River in Northeastern Missouri. The contract results from a request by the state for the Corps to build water supply storage into the Clarence Cannon Dam project to meet water needs of that part of Missouri, which has been chronically short of potable water.

Fiscal Year 2004 Governor's Recommendations

Continue funding at the current level.

OFFICE OF ADMINISTRATION

COMMISSIONER'S OFFICE (Continued)

COUNTY JUVENILE PERSONNEL REIMBURSEMENTS

The state is required to reimburse specified counties for 25 percent of their juvenile court expenditures.

Fiscal Year 2004 Governor's Recommendations

Continue funding at the current level.

COMPACT FOR EDUCATION

The Compact for Education serves as a clearinghouse for information on matters relating to educational issues. The Education Commission of the States consists of seven representatives from each state, of which one member shall be the Governor, two shall be members of the state legislature, and the Governor shall appoint four. The commission fosters research and suggests policies and plans for the improvement of public education as a whole.

Fiscal Year 2004 Governor's Recommendations

- (\$78,800) core reduction from the Fiscal Year 2003 appropriations level.

COUNTY PROSECUTION REIMBURSEMENTS

The state may provide reimbursement to counties for expenses incurred in the prosecution of crimes within correctional institutions and expenses of trials of capital cases in limited circumstances.

Fiscal Year 2004 Governor's Recommendations

Continue funding at the current level.

COSTS IN CRIMINAL CASES

In accordance with Chapters 550 and 548 and Section 57.290, RSMo, the state pays counties and sheriffs for court costs of indigents in criminal cases and costs of incarceration, transporting prisoners to state prisons, and serving extradition warrants.

Fiscal Year 2004 Governor's Recommendations

- \$3,696,000 for paying counties the current rate of \$20 per day.

REGIONAL PLANNING COMMISSIONS

State financial aid enables local governments, through regional planning commissions, to initiate programs and services identified as important by member governments. State funds are matched by local funds.

Fiscal Year 2004 Governor's Recommendations

- (\$225,000) core reduction from the Fiscal Year 2003 appropriation level, including (\$200,000) general revenue.

OFFICE OF ADMINISTRATION

COMMISSIONER'S OFFICE (Continued)

PUBLIC TELEVISION AND PUBLIC RADIO GRANTS

Funds are distributed through these grants to Missouri public television and radio stations for assistance in operating costs.

Fiscal Year 2004 Governor's Recommendations

- (\$95,000) core reduction from the Fiscal Year 2003 appropriation level.

LAND GRANT COLLEGE PROGRAM

Land grants are intended for the colleges of agriculture and mechanical arts eligible for federal funding support as provided by acts of Congress in 1899 and 1907. In accordance with Section 172.730, RSMo, distribution of the grant is made in the following manner: 1/16 of total to Lincoln University, 1/4 of total to the University of Missouri-Rolla, and the balance to the University of Missouri-Columbia.

Fiscal Year 2004 Governor's Recommendations

- (\$1) federal funds core reduction from the Fiscal Year 2003 appropriation level. The item is not in the federal budget, but will remain with the Challenge Grant program within the Department of Higher Education.

ELECTED OFFICIALS TRANSITION

The state provides operating costs for the transition into office of newly elected officials, including the Governor, Lieutenant Governor, Secretary of State, Auditor, Treasurer, and Attorney General.

Fiscal Year 2004 Governor's Recommendations

- (\$10,000) core reduction for one-time expenditures.

SPECIAL ELECTION COSTS

Section 115.077, RSMo, requires the state and political subdivisions submitting questions or candidates in a special election to deposit their proportional share of the costs with the election authority not later than the third Tuesday prior to the election. This appropriation allows the state to comply with the law by prepaying its share of the estimated expenses of a special election. The state is also required to reimburse local election authorities for certain other expenses attributable to changes in state law. Should a special election be called, expenditures made from this appropriation will be transferred to the state election subsidy fund for disbursement.

Fiscal Year 2004 Governor's Recommendations

- \$3,710,000 to conduct the 2004 Presidential Preference Primary.
- (\$1) core reduction from the Fiscal Year 2003 appropriation level.

DIVISION OF ACCOUNTING

The Division of Accounting maintains all financial records for state appropriations and funds, processes payments, controls production of warrants, and distributes checks. The division also issues warrants to the State Treasurer for expenditures; maintains computerized accounting, payroll, and check writing systems; and administers the Social Security Act for the state and political subdivisions. The division also provides financial data to executive and legislative officials.

Fiscal Year 2004 Governor's Recommendations

- \$18,360 for pay plan.
- (\$315,880) and (11) staff core reductions from the Fiscal Year 2003 appropriation level.

OFFICE OF ADMINISTRATION

DIVISION OF ACCOUNTING (Continued)

CONTRIBUTION TO OASDHI TAXES

The state of Missouri pays the employer's share of federal Old Age and Survivors Disability and Health Insurance contributions on the salaries of all state employees, with the exception of employees of the state universities and four-year colleges. These funds are transferred to a contribution fund for matching payments to the Social Security Administration.

Fiscal Year 2004 Governor's Recommendations

- \$5,496,000 to fund contributions for state employees, including \$3,840,000 general revenue.
- (\$3,708,514) core reduction from the Fiscal Year 2003 appropriation level, including (\$3,085,399) general revenue.
- (\$352,486) transferred to the departments of Social Services and Economic Development for reinvestment of fringe savings due to staff reductions, including (\$46,601) general revenue.

CONTRIBUTION TO MISSOURI STATE EMPLOYEES' RETIREMENT SYSTEM

The state of Missouri provides a fully funded retirement program for employees through a contribution of a specified percentage of members' wages to the Missouri State Employees' Retirement System. Included in the state's contribution is a payment per month per eligible employee to the Missouri State Employees' Benefit Plan and a payment of long-term disability premiums.

Fiscal Year 2004 Governor's Recommendation

- \$15,675,000 for fund contributions for state employees, including \$10,160,000 general revenue.
- (\$7,015,050) core reduction from the Fiscal Year 2003 appropriation level, including (\$5,256,868) general revenue.
- (\$883,950) transferred to other state departments for reinvestment of fringe savings due to staff reductions, including (\$57,132) general revenue.

MISSOURI CONSOLIDATED HEALTH CARE PLAN

The Missouri Consolidated Health Care Plan administers health care benefits for state employees. In 1995, municipalities and other public entities were allowed to join the Missouri Consolidated Health Care Plan as well, building a larger pool of members and greater bargaining power for lower cost medical services.

Fiscal Year 2004 Governor's Recommendations

- \$24,571,176 to fund employee health care, including \$17,179,787 general revenue.
- (\$1,109,022) transferred to other state departments for reinvestment of fringe savings due to staff reductions, including (\$101,924) general revenue.

TEACHER RETIREMENT CONTRIBUTIONS

Section 104.342, RSMo, has been revised to provide that the Commissioner of Administration shall requisition monthly and certify the payment of contributions to the Public School Retirement System (PSRS). Authority to transfer and expend these monies is required to comply with statutory provisions. Certified teachers involved are employed by the Department of Elementary and Secondary Education and remain members of the PSRS.

Fiscal Year 2004 Governor's Recommendations

Continue funding at the current level.

OFFICE OF ADMINISTRATION

DIVISION OF ACCOUNTING (Continued)

DEFERRED COMPENSATION PROGRAM

The Missouri State Public Employees Deferred Compensation Commission, as established by Sections 105.900 to 105.925, RSMo, provides indirect compensation to state employees in the form of tax-deferred income. Section 105.927 allows the state to credit \$25.00 per month to qualified participants in the plan. The monies transferred must be paid to the various deferred compensation plans. Matching payments were made available as of January 1, 1996.

Fiscal Year 2004 Governor's Recommendations

- \$637,000 to fund match of employee contributions, including \$542,000 general revenue.
- (\$285,000) federal and other funds core reduction from the Fiscal Year 2003 appropriation level.

DISBURSEMENT FOR UNEMPLOYMENT BENEFITS

The state of Missouri, as a governmental entity, is required to pay contributions to the Division of Employment Security as specified by law so that unemployment claims may be paid to former employees. A governmental entity may elect to either pay contributions in advance based on a statutory formula or to reimburse the Division of Employment Security for actual claims paid out to former employees. The state of Missouri utilizes the reimbursement for actual claims paid option. By using this deferred method of payment and one central appropriation, the state simplifies the administration of unemployment benefits.

Fiscal Year 2004 Governor's Recommendations

- \$1,450,500 for reimbursement of unemployment claims, including \$628,500 general revenue.

TAXES WITHHELD IN ERROR

The Office of Administration's Division of Accounting is responsible for the withholding of federal, state, and local taxes from state employees' pay. This appropriation authority is required to refund to employees taxes withheld in error.

Fiscal Year 2004 Governor's Recommendations

Continue funding at the current level.

VOLUNTARY LIFE INSURANCE

State employees may opt to withhold funds for voluntary life insurance. This appropriation provides expenditure authority to distribute the monies withheld to the various life insurance companies as designated by the employees.

Fiscal Year 2004 Governor's Recommendations

- \$130,000 other funds to distribute life insurance premiums.

HUMAN RESOURCES CONTINGENCY FUND TRANSFER

This transfer section has been added to ensure that payroll checks submitted for payment against accounts with temporary allotment or fund cash flow problems can be generated within the time constraints of pay period processing.

Fiscal Year 2004 Governor's Recommendations

Continue funding at the current level.

OFFICE OF ADMINISTRATION

DIVISION OF ACCOUNTING (Continued)

CAFETERIA PLAN TRANSFER

The state offers a tax reduction plan for state employees. The federal government requires the state to provide a sufficient balance in the medical expenses category for timely reimbursements to plan participants.

Fiscal Year 2004 Governor's Recommendations

Continue funding at the current level.

BOARD OF PUBLIC BUILDINGS DEBT SERVICE

This appropriation is for payment of principal, interest, and reserve requirements on outstanding bonds.

Fiscal Year 2004 Governor's Recommendations

- \$954,300 for payment of debt service.
- \$1 on an open-ended basis for annual fees and expenses.
- \$1 on an open-ended basis to pay any required arbitrage rebate to the federal government.
- \$1 on an open-ended basis for costs associated with refunding an existing debt to save interest.
- \$1 on an open-ended basis for payment of debt service on tobacco bonds by the Board of Public Buildings.

LEASE/PURCHASE DEBT SERVICE

Beginning in Fiscal Year 2003, money was transferred from the Board of Public Buildings Debt Service to the Lease/Purchase appropriation in order to separate payments.

Fiscal Year 2004 Governor's Recommendations

- (\$11,490) core reduction from the Fiscal Year 2003 appropriation level.

TOBACCO SETTLEMENT FINANCING AUTHORITY

The Tobacco Settlement Financing Authority is charged with administering the securitization of a portion of Missouri's share of expected revenues from the master settlement agreement entered into with leading United States tobacco product manufacturers.

Fiscal Year 2004 Governor's Recommendations

- \$10,000 for annual fees and expenses.
- \$1 on an open-ended basis to pay any required arbitrage rebate to the federal government.
- \$1 on an open-ended basis for costs associated with refunding an existing debt to save interest.

MISSOURI HEALTH AND EDUCATIONAL FACILITIES AUTHORITY DEBT SERVICE

The Missouri Health and Educational Facilities Authority (MoHEFA) has issued \$39,999,569 in Series A 1989 Missouri College Savings Bonds to fund building projects at the University of Missouri.

Fiscal Year 2004 Governor's Recommendations

Continue funding at the current level.

OFFICE OF ADMINISTRATION

DIVISION OF ACCOUNTING (Continued)

NEW JOBS TRAINING CERTIFICATES

Sections 178.892 to 178.896, RSMo, established the New Jobs Training Program. Businesses establishing new jobs in the state can enter into an agreement with a community college district to provide training for new employees. The training is funded from the proceeds of new jobs training certificates issued by community college districts. The debt service on the certificates is payable from the employees' Missouri income tax withholding credits. If the business would sharply decrease or eliminate its operations, funds may not be available to meet debt service costs.

Fiscal Year 2004 Governor's Recommendations

Continue funding at the current level.

CONVENTION AND SPORTS COMPLEX PROJECTS

SB 295 (1989) authorized annual appropriations of state matching funds for convention and sports complex capital projects in certain cities and counties. Ongoing projects include: Jackson County Sports Complex Stadium, \$3,000,000; Bartle Hall, \$2,000,000; and Edward D. Jones Dome, \$12,000,000.

Fiscal Year 2004 Governor's Recommendations

Continue funding at the current level.

CASH MANAGEMENT IMPROVEMENT ACT

The federal Cash Management Improvement Act of 1990 and 1992 requires that the state pay interest on certain federal grant monies while deposited in the State Treasury. Interest is calculated and paid at the daily equivalent of the annualized 13-week average Treasury Bill Rate.

Fiscal Year 2004 Governor's Recommendations

- (\$1,300,000) core reduction from the Fiscal Year 2003 appropriation level.

GOVERNMENTAL ACCOUNTING STANDARDS BOARD DUES

The Governmental Accounting Standards Board (GASB) was organized in 1984 to establish financial reporting standards for activities and transactions of state and local governments. Each state is assessed dues for support of the organization.

Fiscal Year 2004 Governor's Recommendations

- (\$26,100) core reduction from the Fiscal Year 2003 appropriation level.

CLAIMS AGAINST THE ESCHEATS FUND

This fund provides for the disposition of unclaimed funds from estates. Funds unclaimed for 21 years are transferred to the public school fund. Monies in the fund are invested by the State Treasurer, and the interest earnings are transferred to the public school fund. Senate Bill 1248 (2002) eliminated the Escheats Fund as of January 1, 2003.

Fiscal Year 2004 Governor's Recommendations

- (\$250,000) other funds core reduction from the Fiscal Year 2003 appropriation level.

OFFICE OF ADMINISTRATION

DIVISION OF ACCOUNTING (Continued)

ARTICLE X REFUND FINANCE

Some state funds may be unable to support refunds to taxpayers under the provisions of Article X to the Missouri Constitution without endangering the programs for which they were established. This appropriation is intended to provide relief to those funds and programs.

Fiscal Year 2004 Governor's Recommendations

- (\$100,000) core reduction from the Fiscal Year 2003 appropriation level. There will be no refunds in Fiscal Year 2004.

STATEWIDE OPERATIONAL MAINTENANCE AND REPAIR TRANSFER

This section allows for the transfer of general revenue into departmental operating budgets for statewide maintenance and repair appropriations.

Fiscal Year 2004 Governor's Recommendations

- \$1,500,136 for increased transfer to the maintenance and repair reserve.

MAXIMIZE REVENUES

Contractors will help the state identify changes in federal laws or policies that will maximize federal reimbursements. They will also develop and help implement cost containment strategies. Pricing will be determined on a project-by-project basis.

Fiscal Year 2004 Governor's Recommendations

- \$1 on an open-ended basis.

AUDIT RECOVERY DISTRIBUTION

A mechanism to allow the distribution of a percentage of monies recovered by the state to the audit firm that recovers the money.

Fiscal Year 2004 Governor's Recommendations

- \$350,000 to more accurately reflect the expected level of recovery.

BUDGET RESERVE INTEREST

In the event that the general revenue fund borrows money from the budget reserve fund, general revenue must repay the loan with interest. This mechanism will allow that to happen.

Fiscal Year 2004 Governor's Recommendations

Continue funding at the current level.

OTHER FUND CORRECTIONS

A transfer section is needed as a mechanism by which corrections can be made when money is erroneously deposited into the wrong fund.

Fiscal Year 2004 Governor's Recommendations

Continue funding at the current level.

OFFICE OF ADMINISTRATION

DIVISION OF BUDGET AND PLANNING

The Division of Budget and Planning analyzes state government programs and provides recommendations and information to the Governor, General Assembly, and state agencies regarding fiscal and other policies. The division prepares the budget instructions, reviews all agency budget requests, makes funding recommendations to the Governor, prepares the annual executive budget, analyzes economic and demographic conditions, forecasts state revenues, and conducts technical policy and program analyses. To assist in state government management, the division controls appropriation allotments, prepares legislative fiscal notes, evaluates programs, analyzes and develops policy options, and coordinates programs among agencies. The division prepares population estimates and projections required by state and local agencies and is Missouri's liaison to the United States Bureau of the Census. The division operates the State of Missouri Washington, D.C. office. In addition, the division uses federal grant funds for applied research in policy areas of statewide concern.

Fiscal Year 2004 Governor's Recommendations

- \$2,448 for pay plan
- (\$9,305) core reduction from the Fiscal Year 2003 appropriation level.

DIVISION OF INFORMATION SERVICES

The Division of Information Services provides centralized computer processing services through the State Data Center (SDC), reviews departmental data processing plans, and manages the state telephone network. The division also approves the acquisition and disposition of computer equipment, provides procurement assistance to other state agencies, and provides data processing training for state employees.

This section provides mainframe computer processing services to the Office of Administration; Secretary of State; Departments of Revenue, Mental Health, Natural Resources, Insurance, Economic Development, Transportation, and others. In addition, the consolidated SDC now provides services to the Departments of Social Services, Health, Labor and Industrial Relations, and the State Highway Patrol.

Fiscal Year 2004 Governor's Recommendations

- \$79,044 and three staff transferred from other Office of Administration divisions.
- \$9,965 for pay plan.
- (\$469,569) and (14) staff reduction from the Fiscal Year 2003 appropriation level.

DIVISION OF DESIGN AND CONSTRUCTION

The division reviews plans and specifications for state construction, maintenance, and repair projects; selects contracting architects and engineers; oversees capital improvements expenditures; provides information for the preparation of the capital improvements budget; and assists state agencies and institutions with building and renovations problems.

Fiscal Year 2004 Governor's Recommendations

- \$3,960 for pay plan.
- (\$104,758) and (two) staff transferred to other Office of Administration divisions.
- (27) staff in core reductions from the Fiscal Year 2003 appropriation level.

DIVISION OF PERSONNEL

The Division of Personnel provides central personnel management programs and services to all executive branch departments in compliance with the State Personnel Law and the principles of sound personnel management. Responsibilities include operation of the Missouri Merit System, position classification and compensation management, supervisory and management training, coordination of relations with employee unions, and providing personnel management expertise and other services to assist agencies.

OFFICE OF ADMINISTRATION

DIVISION OF PERSONNEL (Continued)

The Personnel Advisory Board sets rules and regulations for the Merit System, approves classifications and pay plans, conducts appeal hearings for applicants and employees, and advises the Division of Personnel and the Governor on personnel administration.

Fiscal Year 2004 Governor's Recommendations

- \$21,994 for pay plan.
- (\$8,120) transferred to the Commissioner's Office.
- (\$207,041) and (6.88) staff core reduction from the Fiscal Year 2003 appropriation level.

DIVISION OF PURCHASING AND MATERIALS MANAGEMENT

The Division of Purchasing and Materials Management centralizes procurement to save money by purchasing supplies, materials, and services in larger quantities and encourages competitive bidding and awards on all contracts. All of state government is served except the University of Missouri, Lincoln University, Truman State University, Missouri Department of Transportation, Judiciary, Lottery, and the General Assembly. It encourages the participation of suppliers, including small disadvantaged businesses, in the competitive bid process and ensures compliance with Chapter 34, RSMo. The division also coordinates recycling collection efforts of state agencies and administers the Recycling Products Preference Program. The materials management section recycles property among agencies and sells surplus state equipment through negotiated, sealed bids and auction sales. Surplus property sales receipts are used to pay the expenses of surplus property sales with the remaining receipts distributed to the appropriate state funds from which the equipment was purchased.

Fiscal Year 2004 Governor's Recommendations

- \$18,972 for pay plan, including \$13,343 general revenue.
- (\$111,780) and (four) staff core reduction from the Fiscal Year 2003 appropriation level.

DIVISION OF FACILITIES MANAGEMENT

The Division of Facilities Management operates, maintains, and manages state-owned office buildings and various other structures at the seat of government and other locations within the state.

LEASED FACILITIES MANAGEMENT

The Division is also responsible for all leased property acquired for use by selected agencies statewide. The division is the operating agent for the Office of Administration responsible for the acquisition of necessary space through the lease process. A competitive public bid process is used to acquire leased space.

Fiscal Year 2004 Governor's Recommendations

- \$63,326 for the general revenue transfer to the Office of Administration revolving administrative trust fund for state leasing administration expenses.

STATE OFFICE BUILDINGS GENERAL REVENUE TRANSFER

This appropriation is recommended so that funds other than general revenue can be utilized for state office buildings. The same funds that support the activity of state employees in state office buildings are charged for the cost of operating and maintaining the offices. In this way, the amount of general revenue can be reduced and more appropriate funds can carry their share of the cost of these buildings. Through the transfer mechanism, general revenue will be transferred into the operating accounts as state facility maintenance and operation funds at the beginning of the fiscal year. Other state funds will then be transferred to general revenue as appropriate during the fiscal year to offset that share of the cost of office space used by staff paid by other funds.

OFFICE OF ADMINISTRATION

DIVISION OF FACILITIES MANAGEMENT (Continued)

Fiscal Year 2004 Governor's Recommendations

- \$694,573 for the general revenue transfer to the Office of Administration state facilities maintenance and operations fund for state building operations and seat of government expenses.
- \$100,000 other funds for the Second State Capitol Commission.
- \$258,637 transferred from the statewide leasing budget.
- (\$37,488) transferred to the Division of Information Services.
- (\$578,897) and (10.68) staff in core reductions from the Fiscal Year 2003 appropriation level, including (\$403,471) general revenue.

DIVISION OF GENERAL SERVICES

The division provides agencies with a variety of services such as printing, administration of the legal expense fund and the state employee Workers' Compensation Program, a central vehicle maintenance facility, forms management, and flight operations. The Division of General Services also provides staff to administer activities of the Missouri Public Entity Risk Management Fund, a liability insurance pool for Missouri public entities.

Fiscal Year 2004 Governor's Recommendations

- \$1,000,000 for workers' compensation claims.
- \$500,000 other funds and two staff for the Head Injury Program.
- \$13,316 for pay plan.
- (\$246,136) and (6.5) staff in core reductions from the Fiscal Year 2003 appropriation level.
- (One) staff transferred to Information Systems.

ASSIGNED PROGRAMS

ADMINISTRATIVE HEARING COMMISSION

The Administrative Hearing Commission conducts pre-hearing conferences and full evidentiary hearings throughout Missouri, making findings of fact and conclusions of law relative to appeals and complaints. The commission's jurisdiction includes appeals of decisions made by the professional licensing boards and taxpayers' appeals of decisions made by the Department of Revenue; the Division of Liquor Control; the Missouri Health Facilities Review Committee; the Personnel Advisory Board; and the Departments of Mental Health, Health, and Social Services.

Fiscal Year 2004 Governor's Recommendations

- \$101,137 and one staff to replace state highway department funds for a commissioner transferred from the Department of Economic Development.
- \$3,672 for pay plan.
- (\$1,500) core reduction from the Fiscal Year 2003 appropriation level.

OFFICE OF CHILD WELFARE

Pursuant to Executive Order 02-22 issued December 17, 2002, the Office of Child Welfare is charged with monitoring the child welfare system to ensure compliance with state and federal laws pertaining to children's services.

- \$406,468 and four staff transferred from the Department of Social Services, including \$272,334 general revenue.

OFFICE OF ADMINISTRATION

ASSIGNED PROGRAMS (Continued)

CHILDREN'S TRUST FUND

The Children's Trust Fund and Children's Trust Fund Board are established to facilitate and fund the development of community-based prevention programs to strengthen families and prevent child abuse and neglect, and to provide public education about the problem of child abuse and its prevention. The Children's Trust Fund Board has developed a long-range plan, which is reviewed annually. Activities of the Children's Trust Fund are divided into two broad areas: public education and program development and funding. Each includes an array of programs to meet the goals of the board.

Fiscal Year 2004 Governor's Recommendations

- \$918 other funds for pay plan.

MISSOURI CHILDREN'S SERVICES COMMISSION

The Missouri Children's Services Commission Fund was established to receive grants, gifts, bequests, and federal grants to support the activities of the Children's Services Commission in accordance with Sections 210.103, RSMo.

Fiscal Year 2004 Governor's Recommendations

Continue funding at the current level.

MISSOURI ETHICS COMMISSION

The Missouri Ethics Commission was established in accordance with the provisions in SB 262 (1991). The commission is composed of six members, not more than three from the same political party. The commission is responsible for receiving and maintaining lobbyist reports, personal financial disclosures, and election reports. It must investigate reports of campaign and ethical violations, develop ethical standards, and make determinations of allegations of ethical violations.

Fiscal Year 2004 Governor's Recommendations

- \$4,284 for pay plan.

OFFICE OF INFORMATION TECHNOLOGY

The Office of Information Technology was established July 1, 1995, in response to a recommendation of the Commission on Management and Productivity for statewide control and planning relating to information technology in Missouri state government. The office's objectives include: implementing an information technology strategic planning process that supports agency-specific strategic planning; directing the statewide adoption of policy, procedures, and standards relating to information technology; and reviewing agency technology budgets.

Fiscal Year 2004 Governor's Recommendations

- \$14,737,426 federal and other funds and four staff to provide authority to implement federally funded programs.
- \$214,701 federal funds and three staff to establish a state information security office.
- (\$8,661,538) federal funds for one-time expenditures.

DEPARTMENT OF AGRICULTURE

FINANCIAL SUMMARY

	FY 2002 EXPENDITURE	FY 2003 APPROPRIATION	FY 2004 REQUEST	GOVERNOR RECOMMENDS FY 2004
Office of the Director	\$ 5,943,130	\$ 8,222,877	\$ 12,469,794	\$ 7,536,038
Agriculture Business Development	2,725,436	3,824,692	4,216,273	4,012,380
Market Information and Outreach	82,735	175,000	1,061,156	971,306
Division of Animal Health	3,366,777	4,179,343	5,075,637	4,905,206
Division of Grain Inspection and Warehousing	2,058,999	3,307,315	3,393,843	3,364,371
Division of Plant Industries	2,627,040	3,208,321	3,231,156	3,026,018
Division of Weights and Measures	2,743,242	3,472,297	3,794,834	3,748,347
Missouri State Fair	4,162,439	4,900,450	4,830,450	4,815,141
State Milk Board	1,623,900	2,081,318	2,046,024	1,908,962
DEPARTMENTAL TOTAL	\$ 25,333,698	\$ 33,371,613	\$ 40,119,167	\$ 34,287,769
General Revenue Fund	12,832,632	15,848,145	21,119,863	15,205,553
Federal Funds	912,034	3,263,590	3,845,511	3,847,759
Animal Health Laboratory Fee Fund	349,789	451,844	595,210	595,618
Animal Care Reserve Fund	293,387	322,235	602,959	605,053
Livestock Brands Fund	24,261	42,225	42,225	42,226
Commodity Council Merchandising Fund	177,822	176,212	176,212	176,664
Single-Purpose Animal Facilities				
Loan Program Fund	64,235	81,086	116,077	116,450
State Fair Fees Fund	3,384,193	4,201,817	4,131,817	4,178,353
Aquaculture Marketing Development Fund	19,418	32,692	32,692	32,745
Livestock Sales and Markets Fees Fund	12,926	32,784	32,784	32,786
Apple Merchandising Fund	30	12,000	12,000	12,000
Livestock Dealer Law Enforcement and				
Administration Fund	488	12,389	12,389	12,390
Milk Inspection Fee Fund	1,312,948	1,762,343	1,741,159	1,742,119
Grain Inspection Fee Fund	1,111,070	2,251,940	2,589,460	2,600,313
State Contracted Manufacturing Dairy Plant				
Inspection and Grading Fee Fund	0	8,000	8,000	8,000
Petroleum Inspection Fund	1,590,755	2,110,536	2,487,773	2,505,493
Petroleum Violation Escrow Fund	2,450,000	1,000,000	0	0
Marketing Development Fund	516,201	788,237	1,538,237	1,538,745
Agriculture Bond Trustee Fund	60,782	135,000	135,000	135,000
Boll Weevil Suppression and Eradication Fund	24,946	60,456	106,006	106,080
Missouri Wine Marketing Fund	8,613	15,000	15,000	15,000
Agriculture Development Fund	178,662	723,082	738,793	739,422
State Institutions Gift Trust Fund	6,356	30,000	30,000	30,000
State Fair Trust Fund	2,150	10,000	10,000	10,000
Full-time equivalent employees	411.34	468.34	483.44	468.09

POLICY SUMMARY

The Department of Agriculture's mission is to serve, promote, and protect the agricultural producers, processors, and consumers of Missouri's food, fuel, and fiber products. Agriculture continues as a solid base for the economy of Missouri. In 2001 the state's 108,000 farms produced and sold about \$4.82 billion worth of crops, livestock, poultry, and fish, up three percent from 2000. Livestock and poultry accounted for about 56 percent of the agricultural output, down two percentage points from 58 percent in 2000, while crops made up the other 44 percent of the total.

A weakened economy and considerable growth in mandatory programs like Medicaid has resulted in the most significant challenge the state has faced since the Depression. The Fiscal Year 2004 budget includes substantial core reductions. However, the budget also recognizes that the state cannot cut its way out of the current fiscal problems without severely reducing essential services provided to

DEPARTMENT OF AGRICULTURE

POLICY SUMMARY (Continued)

Missourians. General revenue budget increases have been limited to mandatory programs. Governor Holden's priorities are protecting the state's investment in education and ensuring that our most vulnerable citizens – children, the elderly, and disabled – are shielded to the greatest extent possible from budget reductions.

Some measures of the health of Missouri's agricultural economy follow:

	1999	2000	2001
Missouri Net Farm Income (millions)	\$392.9	\$971.9	\$909.9
Cash receipts from the sale of Missouri agricultural products (billions)	\$4.122	\$4.725	\$4.820
Missouri livestock cash receipts (billions)	\$2.440	\$2.625	\$2.680
Missouri crop cash receipts (billions)	\$1.682	\$2.100	\$2.100
Value of Missouri agricultural exports (billions)	\$1.126	\$1.048	\$1.140

In 1999 landmark agricultural legislation was passed to address depressed farm prices. As demonstrated above, some improvements continued in 2001 with increases in cash receipts from sale of Missouri agricultural products, livestock, crops, and exports. With current economic conditions Missouri was able to maintain its standings compared to 2000. However, if the health of Missouri is to be maintained, value added areas will need to be pursued.

HELPING FARMERS BECOME SMALL BUSINESS ENTERPRISES: The viability of Missouri's small farmers and rural communities are at risk if farmers do not have access to capital to seek new ventures which add value to agricultural products they produce. As a result of the Missouri Ethanol Producer Incentive Fund and other incentives, Missouri now has two ethanol plants with a combined production capacity of 47 million gallons per year, using approximately 14 million bushels of Missouri-grown corn. New generation tax credits also fund the value added program. Value added grants for feasibility studies initiated three additional cooperatives that are under development: AgramMarke, a grain processing plant located in St. Joseph which has the ability to separate grains and verify their authenticity; Missouri Food and Fiber, Inc., a cooperative in Warren County that will process and package "identity preserved" products; Ozark Mountain Pork, located in Howell County, a cooperative that will process, package, and market pork; and East Central Ag Products, Inc., in Ladonna, a third ethanol cooperative.

To help farmers add value to their commodities, the Governor recommends:

- \$2 million for continued funding of Missouri's ethanol plants, bringing total funding to \$3.9 million.
- \$750,000 to expand research and development of Missouri's grape and wine industry.
- \$100,000 to help the Market and Development Division in maximizing federal funds that will add value to agricultural commodities.

SUPPORTING LIVESTOCK PRODUCERS: The animal agricultural industry accounts for more than half of the annual cash receipts of Missouri's agricultural producers. Infectious and contagious diseases cause \$3.3 billion in annual losses to the state's livestock producers, and some diseases can be transmitted directly to humans. In addition, the public is increasingly concerned with food safety.

To protect livestock producers and build public confidence in the meat industry, the Governor recommends:

- \$299,739 federal funds, including \$116,425 general revenue, to meet the increased demand for state meat inspection services. This will make it possible for approximately 12 more Missouri meat processing plants to begin operations.
- \$247,325 federal funds to trace infected animals and animal products in Missouri.
- \$56,366 other funds to strive to eliminate the last brucellosis-infected cattle in Missouri and strengthen the state's bio-security and food safety surveillance and testing efforts.
- \$42,000 other funds for specialized equipment to help identify animal diseases.

DEPARTMENT OF AGRICULTURE

OFFICE OF THE DIRECTOR

The Office of the Director makes policy decisions on agricultural issues, sets the department's goals and priorities, and coordinates activities of the various divisions to achieve those goals. The Office of the Director includes administrative functions such as the fiscal office, support services, personnel, public affairs, data processing, and statistical services. The Office of the Director also includes the Executive Secretary of the Agriculture and Small Business Development Authority. The seven-member authority is empowered under Chapter 348, RSMo, to issue bonds to make loans to beginning farmers and small businessmen at below-market interest rates. The authority also administers the single-purpose Animal Facilities Loan Guarantee Program.

Fiscal Year 2004 Governor's Recommendations

- \$2,007,454 for production incentives for ethanol plants.
- \$523,520 federal and other funds for replacement vehicles for regulatory divisions.
- \$37,488 federal funds and one staff to continue the current funding levels.
- \$10,991 for pay plan, including \$10,291 general revenue.
- (\$2,725,460) for one-time expenditures, including (\$1,700,000) general revenue.
- (\$263,421) and (five) staff transferred to the Division of Agriculture Business Development.
- (\$169,747) and (2.5) staff in core reduction from the Fiscal Year 2003 appropriation level.
- (\$107,664) and (two) staff transferred to the Division of Market Information and Outreach.

DIVISION OF AGRICULTURE BUSINESS DEVELOPMENT

The Division of Agriculture Business Development includes the Business and Industry Support Program, the International Marketing Program, the Missouri Agricultural and Small Business Development Authority, the Agriculture Development Program, the AgriMissouri Marketing Program, and the Grape and Wine Program. The Business and Industry Support Program provides assistance to agriculture-based industries and businesses to develop and expand markets for agricultural products. The International Marketing Program promotes Missouri agricultural products through economic development offices in Dusseldorf, Seoul, and Tokyo, and agricultural trade offices in Taiwan and Mexico. The Missouri Agricultural and Small Business Development Authority (MASBDA) and the Agriculture Development Program provide financing opportunities for Missouri farmers and farm youth through a variety of loans, loan guarantees, grants, scholarships, and youth development programs. The AgriMissouri Marketing Program identifies and promotes products produced or processed in Missouri. The Grape and Wine Program promotes grapes, juice, and wine produced in Missouri using marketing development funds paid by grape and wine producers under Section 311.554, RSMo.

Fiscal Year 2004 Governor's Recommendations

- \$750,000 other funds for increased appropriation authority due to additional revenues collected by the Grape and Wine Program as provided in HB 1348 (2002).
- \$263,421 and five staff transferred from the Director's Office.
- \$100,000 federal funds to maximize federal spending authority for grants.
- \$50,702 other funds and 1.6 staff to continue the current funding level.
- \$8,568 for pay plan, including \$7,352 general revenue.
- \$5,950 transferred from the statewide leasing budget.
- (\$778,492) and (18.34) staff transferred to the Division of Market Information and Outreach, including (\$611,135) general revenue.
- (\$212,461) and (1.6) staff in core reduction from the Fiscal Year 2003 appropriation level.

DEPARTMENT OF AGRICULTURE

DIVISION OF MARKET INFORMATION AND OUTREACH

The Division of Market Information and Outreach includes the Market News Program and the Education and Outreach Program. The Market News Program provides timely and unbiased price information that enables producers to make sound marketing decisions. Field market news reporters report market prices from throughout Missouri. This information is made available to the public daily through the Internet, media (including radio and newspapers), automated telephone reports, and the Weekly Market Summary.

The Education and Outreach Program provides targeted, high-quality information about agriculture and department services to urban, rural, and non-farm audiences. One example is the *Show Me Agriculture* magazine that is designed to meet Missouri's Show Me standards for fourth grade students and is used by more than 1,000 teachers and 25,000 fourth graders throughout the state. The program also encourages young men and women to pursue agricultural careers through programs such as the Missouri Agribusiness Academy and scholarship programs. The program also provides coordination and support for trade shows and conferences within and outside of the agricultural community. Examples include the Governor's Conference on Agriculture, Evening with AgriMissouri, Missouri Pork Expo, Agriculture Commodity Classic, State Fair, and other events.

Fiscal Year 2004 Governor's Recommendations

- \$625,524 and 15.34 staff transferred from the Division of Agriculture Business Development, including \$587,568 general revenue.
- \$152,968 and three staff transferred from the Division of Market Development, including \$23,567 general revenue.
- \$107,664 and two staff transferred from the Office of the Director.
- (\$89,850) and (one) staff in core reduction from the Fiscal Year 2003 appropriation level.

DIVISION OF ANIMAL HEALTH

The Division of Animal Health implements regulations and programs to protect Missouri's livestock, poultry, and other domestic animals from dangerous, infectious, or contagious diseases. This includes enforcement of regulations as required under Section 267.230, RSMo, which gives the Director of the Department of Agriculture the authority to designate certain employees to intercept, stop, or detain for official inspection any vehicle carrying livestock in the state. Through control and elimination of diseases and diseased animals, the division enables Missouri's livestock and poultry to remain eligible for interstate and international export marketing. Diagnostic laboratories are maintained in Jefferson City, Cameron, and Springfield, and additional professional services are contracted for with the University of Missouri-Columbia College of Veterinary Medicine.

Fiscal Year 2004 Governor's Recommendations

- \$299,739 and four staff to enhance the state meat inspection program, including \$183,314 general revenue.
- \$247,325 federal funds and two staff to implement the federal Foreign Animal Disease Surveillance and Animal Disease Response "Homeland Security" grant.
- \$205,864 other funds and two staff to enhance Animal Care Program inspections.
- \$56,366 other funds and 1.5 staff to enhance the final phases of the elimination of brucellosis-infected cattle in Missouri.
- \$45,000 other funds and one staff to continue the current funding level.
- \$42,000 federal funds for a fluorescent polarization microplate reader to help identify animal diseases.
- \$23,256 for pay plan, including \$19,593 general revenue.
- (\$193,687) and (1.5) staff in core reduction from the Fiscal Year 2003 appropriation level.

DEPARTMENT OF AGRICULTURE

DIVISION OF GRAIN INSPECTION AND WAREHOUSING

The Division of Grain Inspection and Warehousing performs two functions to assist Missouri grain farmers and agribusinesses. The Grain Regulatory Services Program enforces the provisions of the Grain Warehouse Law, Chapter 411, RSMo, and the Grain Dealers Law, Sections 276.401-276.581, RSMo, to ensure grain producers that licensed grain warehouses and grain dealers are reputable businesses in sound financial condition.

The Grain Inspection Services Program provides official inspection and weighing of grain upon request to assist both grain farmers and grain businesses in the marketing of Missouri's corn, soybean, wheat, and other grain crops. The program covers all costs of operation by charging fees for services performed, which are deposited in the grain inspection fee fund. The division also administers the Commodity Council Merchandising and Apple Merchandising programs.

Fiscal Year 2004 Governor's Recommendations

- \$86,528 federal funds and one staff to establish a Certified Agriculture Mediation Program in Missouri.
- \$19,055 for pay plan, including \$7,803 general revenue.
- (\$48,527) core reduction from the Fiscal Year 2003 appropriation level.

DIVISION OF PLANT INDUSTRIES

The Division of Plant Industries operates five programs serving Missouri agriculture. The Feed and Seed Program performs sampling and laboratory analyses of crop seeds and commercial feeds to ensure that they meet requirements for accurate labeling. The Pesticide Control Program promotes the safe use of pesticides by licensing private and commercial applicators, conducting field inspections, and ensuring the proper registration of pesticides. The Plant Pest Control Program conducts inspections of nurseries, greenhouses, and other plant products to prevent the introduction and dissemination of insect, disease, and noxious weed pests that could be detrimental to plants and crops. The Forest Resources and Weed Control Program inspects treated wood products to ensure that minimum preservation standards are met and assists county weed control boards in the control and eradication of Johnson grass, a noxious weed. The Fresh Fruit and Vegetable Inspection Program performs shipping point and terminal market inspections of fresh produce to facilitate the sale of Missouri grown produce and ensure the quality of produce sold to consumers.

Fiscal Year 2004 Governor's Recommendations

- \$45,550 other funds and one staff to enhance the Integrated Pest Management Program, the Boll Weevil Eradication Program, the Sustainable Agriculture Program and the Certified Organic Program.
- \$7,852 for pay plan, including \$6,830 general revenue.
- (\$212,990) and (3.75) staff in core reduction from the Fiscal Year 2003 appropriation level.
- (\$22,715) federal funds for one-time expenditures.

DIVISION OF WEIGHTS AND MEASURES

The Division of Weights and Measures operates four programs and two laboratories to fulfill its goal of protecting consumers. The administration program processes all licenses, registrations, and fees collected. The Scale, Milk, and Egg Program inspects livestock market, grain elevator, highway vehicle, and small retail scales to ensure their accuracy. In addition, milk sales practices are monitored and shell eggs are inspected. Staff in the Petroleum/Propane/Anhydrous Ammonia Program protect consumers against inaccurate gasoline pumps and unsafe practices by the retailer; inspect public institutions, industry, mobile homes, and LPG-converted vehicles to save lives and property from gas explosions; approve propane gas dispenser meters to prevent overcharges on fuel bills; and oversee anhydrous ammonia fertilizer installations. The Moisture Meter Program protects Missouri farmers against unjustified discounts on grain sales due to inaccurate moisture content values.

The division's metrology laboratory certifies scale repair technicians; maintains all mass, volume, and length standards used by industry; and certifies all weight and measure devices used by the program inspectors. The petroleum laboratory performs chemical analyses of gasoline, diesel fuel, heating oil, and other fuels to ensure that quality specifications are met.

Fiscal Year 2004 Governor's Recommendations

- \$348,715 other funds for new and replacement equipment.
- \$34,272 for pay plan, including \$16,644 general revenue.
- (\$80,759) and (two) staff in core reduction from the Fiscal Year 2003 appropriation level.
- (\$26,178) other funds for one-time expenditures.

DEPARTMENT OF AGRICULTURE

MISSOURI STATE FAIR

The Missouri State Fair is held annually in August on the state fairgrounds in Sedalia. The fair provides a showcase for livestock, agricultural products, commercial exhibits, and other displays. In addition, the fair offers a variety of entertainment and educational events. The fairgrounds also are available during the rest of the year for various types of exhibits, sales, meetings, and entertainment.

Fiscal Year 2004 Governor's Recommendations

- \$90,692 for pay plan, including \$44,213 general revenue.
- (\$106,001) and (three) staff in core reduction from the Fiscal Year 2003 appropriation level.
- (\$70,000) other funds for one-time expenditures.

	FY 2002 EXPENDITURE	FY 2003 APPROPRIATION	GOVERNOR RECOMMENDS FY 2004
State Fair Administration	\$ 4,023,514	\$ 4,900,450	\$ 4,815,141
Aid-To-Fairs Premiums	138,925	0	0
DIVISIONAL TOTAL	\$ 4,162,439	\$ 4,900,450	\$ 4,815,141
PERSONAL SERVICE			
General Revenue Fund	620,379	649,841	588,053
State Fair Fees Fund	652,179	874,743	921,222
EXPENSE AND EQUIPMENT			
General Revenue Fund	32,583	56,832	56,833
State Fair Fees Fund	2,710,472	3,243,085	3,185,543
State Fair Trust Fund	2,150	9,880	10,000
PROGRAM SPECIFIC DISTRIBUTION			
General Revenue Fund	138,925	1	0
State Fair Fees Fund	5,751	65,948	53,490
State Fair Trust Fund	0	120	0
TOTAL	\$ 4,162,439	\$ 4,900,450	\$ 4,815,141
General Revenue Fund	791,887	706,674	644,886
State Fair Fees Fund	3,368,402	4,183,776	4,160,255
State Fair Trust Fund	2,150	10,000	10,000
Full-time equivalent employees	55.14	61.75	58.75

DEPARTMENT OF AGRICULTURE

STATE MILK BOARD

The State Milk Board oversees two programs to ensure that milk and milk products are safe for consumption. The State Milk Board contracts with one city and one county to provide sanitary inspections of Grade A milk. An inspection fee of five cents per one hundred pounds of Grade A milk is assessed and deposited in the milk inspection fee fund to cover all costs of the Grade A Program. Approximately one-half of all Grade A milk is consumed as fluid milk with the remainder used for manufacturing purposes.

The State Milk Board also is responsible for the Manufacturing Grade Milk Sanitation Program, which enforces sanitation and quality standards for milk used only for manufacturing dairy products (such as cheese, butter, and ice cream). This program is funded from general revenue because inspection fees have not been assessed on manufacturing milk producers.

Fiscal Year 2004 Governor's Recommendations

- \$1,836 for pay plan, including \$884 general revenue.
- (\$138,898) core reduction from the Fiscal year 2003 appropriation level.
- (\$35,294) other funds for one-time expenditures.

DEPARTMENT OF NATURAL RESOURCES

FINANCIAL SUMMARY

	FY 2002 EXPENDITURE	FY 2003 APPROPRIATION	FY 2004 REQUEST	GOVERNOR RECOMMENDS FY 2004
Office of the Director	\$ 7,918,397	\$ 8,499,735	\$ 8,499,735	\$ 8,378,175
Agency-Wide Operations	20,379,746	31,608,525	31,567,074	31,567,074
Outreach and Assistance Center	11,360,495	16,992,253	16,992,253	16,819,765
Environmental Improvement & Energy Res. Authority	0	1	1	1
Division of State Parks	30,097,003	35,523,831	35,902,702	36,232,389
Geology Survey and Resource Assessment Division	5,632,713	6,624,074	6,650,028	6,388,090
Environmental Programs	89,182,879	238,353,142	236,229,495	233,494,273
DEPARTMENTAL TOTAL	\$ 164,571,233	\$ 337,601,561	\$ 335,841,288	\$ 332,879,767
General Revenue Fund	12,200,719	15,018,158	15,018,158	10,445,409
Federal Funds	30,329,285	40,635,129	46,841,665	47,003,251
Post Closure Fund	2,944	141,599	141,599	141,599
Missouri Air Emission Reduction Fund	732,556	1,438,778	1,438,778	1,438,778
Water Pollution Control Fund	7,280,431	23,660,000	23,660,000	23,660,000
Stormwater Control Fund	5,939,963	20,000,000	20,000,000	20,000,000
State Park Earnings Fund	3,760,862	5,763,465	5,804,371	5,818,025
Natural Resources Revolving Services Fund	843,089	2,691,280	2,691,280	2,691,471
Historic Preservation Revolving Fund	91,998	1,055,669	1,055,669	1,055,669
DNR Cost Allocation Fund	8,077,180	8,383,992	8,548,428	8,586,892
State Facility Maintenance and Operation Fund	314,545	368,067	368,067	371,431
Natural Resources Protection Fund	24,066	195,833	145,691	145,691
NRPF - Water Pollution Permit Fee Subaccount	4,806,337	5,177,029	5,890,782	5,890,782
Solid Waste Management Fund - Scrap				
Tire Subaccount	303,235	2,056,109	2,055,909	2,055,909
Solid Waste Management Fund	1,307,144	7,521,695	7,564,993	8,668,921
NRPF - Air Pollution Asbestos Fee Subaccount	296,427	376,270	346,270	346,270
Petroleum Storage Tank Insurance Fund	20,088,216	29,186,648	28,688,128	28,688,128
Underground Storage Tank Regulation				
Program Fund	156,114	223,597	158,493	158,493
NRPF - Air Pollution Permit Fee Subaccount	7,176,415	7,030,604	7,675,708	7,675,708
Water and Wastewater Loan Revolving Fund	0	31,061,444	24,061,444	24,061,444
Parks Sales Tax Fund	23,338,751	25,686,858	26,024,823	26,312,622
Soil and Water Sales Tax Fund	24,492,313	38,785,628	38,785,628	38,785,628
Water and Wastewater Loan Fund	559,430	51,744,007	50,000,168	50,000,168
Groundwater Protection Fund	411,149	460,108	472,849	472,849
Energy Set-Aside Program Fund	4,266,874	5,995,105	6,010,945	6,010,945
State Land Survey Program Fund	1,056,924	1,173,485	1,180,141	1,180,141
Petroleum Violation Escrow Fund	280,013	430,165	430,165	430,165
Dry-cleaning Environmental Response				
Trust Fund	0	481,315	430,130	430,130
Hazardous Waste Fund	1,942,906	2,466,168	2,353,193	2,353,193
Safe Drinking Water Fund	2,207,072	2,676,578	2,722,822	2,722,822
Coal Mine Land Reclamation Fund	136,262	1,069,840	1,071,025	1,071,025
Hazardous Waste Remedial Fund	1,255,035	1,421,532	1,234,869	1,234,869
Missouri Air Pollution Control Fund	8,678	48,800	48,006	48,006
Concentrated Animal Feeding Operation				
Indemnity Fund	0	100,000	100,000	100,000
Controlled Substances Cleanup Fund	0	125,000	0	0
Missouri Alternative Fuel Vehicle Loan Fund	0	300,050	300,050	300,050
Petroleum Violation Escrow Interest Subaccount	174,837	205,273	79,969	79,969
Mined Land Reclamation Fund	369,499	1,854,334	1,848,364	1,848,364
Babler State Park Fund	219,516	313,144	313,144	315,219
Other Funds	120,448	278,805	279,564	279,731
Full-time equivalent employees	1,989.15	2,057.74	2,067.19	2,041.13

DEPARTMENT OF NATURAL RESOURCES

POLICY SUMMARY

The Department of Natural Resources envisions a Missouri where people live and work in harmony with our natural and cultural resources, make decisions that result in a quality environment, and prosper today and in the future. To accomplish this, the department strives to preserve, protect, and enhance Missouri's natural, cultural, and energy resources and to inspire their enjoyment and responsible use for present and future generations. The Governor's Fiscal Year 2004 budget recommendations support the ongoing efforts to accomplish this work.

A weakened economy and considerable growth in mandatory programs like Medicaid has resulted in the most significant challenge the state has faced since the Depression. The Fiscal Year 2004 budget includes substantial core reductions. However, the budget also recognizes that the state cannot cut its way out of the current fiscal problems without severely reducing essential services provided to Missourians. General revenue budget increases have been limited to mandatory programs. Governor Holden's priorities are protecting the state's investment in education and ensuring that our most vulnerable citizens – children, the elderly, and disabled – are shielded to the greatest extent possible from budget reductions.

PROTECTING LAND AND WATER RESOURCES: A primary goal of the department is to preserve and protect the natural resources of the state. Land and water are two of these essential resources. To support activities aimed at meeting this goal, the Governor's Fiscal Year 2004 recommendations include additional federal funds:

- \$8,000,000 for additional water quality studies to help protect ground water, streams, and lakes.
- \$124,456 to assist with the administration of federal water protection infrastructure grants.
- \$103,132 to help water systems comply with new and existing federal regulations for water systems.

Some performance measures the Department of Natural Resources uses to evaluate the quality of Missouri's land and water follow:

	1999	2000	2001
Percentage of Missourians living where drinking water meets federal water standards	96.2%	97.7%	98.5%
Tons of waste diverted from Missouri landfills (millions)	1.90	2.00	2.20
Tons of solid waste disposed per capita	1.12	1.14	1.11
Tons of soil saved (cumulative)	65,906,419	68,662,914	72,092,856
Percent of land disturbed by mining activities that has been reclaimed	46.3%	46.2%	46.3%

PROTECTING AIR QUALITY: Missouri's air sustains us in everything we do. Today the majority of Missourians live where air quality meets government standards. To maintain this status, Missouri will have to continue to balance environmental quality with the needs of industry and Missouri's citizens.

Some performance measures the Department of Natural Resources uses to evaluate the quality of Missouri's air follow:

	1999	2000	2001
Percentage of Missourians living where air meets government air quality standards for smog	65.22%	65.32%	65.39%
Percentage of Missourians living where air meets government air quality standards for lead	99.95%	99.95%	99.96%
Percentage of Missourians living where air meets government air quality standards for carbon monoxide	100.00%	100.00%	100.00%

DEPARTMENT OF NATURAL RESOURCES

POLICY SUMMARY (Continued)

PROTECTING MISSOURI'S NATURAL RESOURCES: Through its state park system and related outreach programs, the department continues its strong commitment to preserve the state's natural and cultural heritage and provide recreational opportunities. The department strives to balance preservation of significant natural and cultural resources with providing access to recreational activities. In 2001 the state park system included 83 state parks and historic sites, covering approximately 138,000 acres and serving more than 18 million visitors annually. The Governor recommends \$36.2 million to continue operations of the parks and historic preservation system. In an effort to make additional opportunities available to Missourians, the Governor recommends:

- \$456,844 to develop the Roger Pryor Pioneer Backcountry site in Southeast Missouri and to fund operation and expansion costs at Hunter-Dawson State Historic Site, the State Museum, Clark's Hill-Norton State Historic Site, and Thousand Hills State Park.

Some performance measures the Department of Natural Resources uses to evaluate the effectiveness of parks and historic preservation programs follow:

	2000	2001	2002
Number of Missouri's listed rare, endangered, or threatened species in state parks	176 of 843	176 of 843	188 of 942
Cumulative number of Missouri properties listed on the National Register of Historic Places	1,353	1,432	1,477
Number of state park visitors statewide	18,151,259	18,103,273	17,760,076
Number of camping permits issued	308,697	293,359	286,899

DEPARTMENT OF NATURAL RESOURCES

OFFICE OF THE DIRECTOR

The Office of the Director is responsible for the management of the department's five divisions, as well as the Outreach and Assistance Center, and for ensuring that the department meets all statutory responsibilities. The responsibilities include coordinating, developing, and implementing the department's strategic planning efforts; policy research; legislative initiatives; and employee relations' activities of the department. The Office of the Director represents Missouri before several regional and national organizations and agencies, including the U.S. Environmental Protection Agency, regional river basin associations, and the Midwest Interstate Low-Level Radioactive Waste Compact.

The Division of Administrative Support develops the department's budget; performs accounting, internal auditing, and procurement functions; administers the department's personnel policies; and supports a statewide communications-computer infrastructure.

Fiscal Year 2004 Governor's Recommendations

- (\$121,560) and (four) staff in core reduction from the Fiscal Year 2003 appropriation level, including (\$144,590) general revenue.

AGENCY-WIDE OPERATIONS

A number of issues are multi-faceted and require resources and expertise from several divisions within the Department of Natural Resources. To deal effectively with these issues, the department consolidated these operations agency-wide. These include audits to comply with federal single audit regulations, assistance with environmental impacts of highway projects, and activities of the Petroleum Storage Tank Insurance Fund Board.

Fiscal Year 2004 Governor's Recommendations

- \$409,236 federal funds and one staff and related expenses for Homeland Security Grants.
- \$49,313 other funds to provide sufficient appropriation authority to fill a vacancy.
- (\$500,000) other funds core reduction from the Fiscal Year 2003 appropriation level.

DEPARTMENT OF NATURAL RESOURCES

OUTREACH AND ASSISTANCE CENTER

The Outreach and Assistance Center is a result of the department's Fiscal Year 2003 reorganization to better serve Missouri citizens. The center performs a variety of vital department environmental, energy, preservation, and public outreach functions. It is comprised of the following offices.

- The Missouri Energy Center is Missouri's designated state energy office, helping Missourians use and produce energy wisely and efficiently to protect the environment and foster economic prosperity.
- The State Historic Preservation Office helps identify and preserve historic properties and cultural resources throughout the state, administers grants and loans, and assists taxpayers in qualifying for preservation tax credits.
- The Information and Education Office supports department public information and special event efforts. It publishes the quarterly magazine, "Missouri Resource," coordinates environmental education activities, and creates and distributes department publications, graphics, displays, and presentation materials.
- The Environmental Assistance Office is a non-regulatory service of the department providing business owners, farmers, local governments, and the general public with technical, managerial, and financial planning assistance for pollution control and prevention.
- The Community Assistance Office will serve as a portal or link between the public and the department's financial and technical services and will provide community planning assistance.
- The St. Louis and Kansas City Urban Outreach Offices serve as local portals for department services and provide outreach and assistance specific to the metropolitan areas. The Kansas City Urban Outreach Office is located in the Kansas City Discovery Center.
- The Fiscal and Administrative Services Office provides financial, administrative, computer, and web support to the Outreach and Assistance Center.

Fiscal Year 2004 Governor's Recommendations

- (\$172,488) and (4.45) staff in core reduction from the Fiscal Year 2003 appropriation level.

ENVIRONMENTAL IMPROVEMENT AND ENERGY RESOURCES AUTHORITY

The Environmental Improvement and Energy Resources Authority (EIERA), under Chapter 260, RSMo, is an independent, self-supporting, quasi-governmental agency assigned to the Missouri Department of Natural Resources.

Due to the special independent status as "a body corporate and politic," the authority is able to issue tax-exempt bonds and utilize fees charged for issuance of its bonds and notes. The authority is empowered to conduct environmental and energy research and development activities, develop alternative methods of financing environmental and energy projects, and assist Missouri communities, organizations, and businesses in obtaining low-cost funds and other financial assistance for projects related to the authority purpose.

Fiscal Year 2004 Governor's Recommendations

Continue funding at the current level.

**DEPARTMENT OF NATURAL RESOURCES
DIVISION OF STATE PARKS**

FINANCIAL SUMMARY

	FY 2002 EXPENDITURE	FY 2003 APPROPRIATION	FY 2004 REQUEST	GOVERNOR RECOMMENDS FY 2004
PERSONAL SERVICE				
General Revenue Fund	\$ 487,207	\$ 0	\$ 0	\$ 0
Federal Funds	346,795	109,489	109,489	115,122
State Park Earnings Fund	840,608	852,455	905,848	919,502
Historic Preservation Revolving Fund	47,716	0	0	0
DNR Cost Allocation Fund	1,046,277	1,098,723	1,098,723	1,115,718
State Facility Maintenance and Operation Fund	207,123	256,740	256,740	260,104
Parks Sales Tax Fund	17,670,620	18,448,453	18,359,316	18,647,115
Meramec-Onondaga State Parks Fund	10,287	10,893	10,893	11,060
Babler State Park Fund	127,770	206,148	206,148	208,223
EXPENSE AND EQUIPMENT				
General Revenue Fund	160,665	0	0	0
Federal Funds	43,801	226,148	226,148	226,148
State Park Earnings Fund	2,642,897	4,371,883	4,359,396	4,359,396
Historic Preservation Revolving Fund	31,282	0	0	0
DNR Cost Allocation Fund	108,994	146,229	146,229	146,229
State Facility Maintenance and Operation Fund	107,422	111,327	111,327	111,327
Parks Sales Tax Fund	5,513,731	7,083,840	7,510,942	7,510,942
Meramec-Onondaga State Parks Fund	1,999	5,600	5,600	5,600
Babler State Park Fund	91,546	106,579	106,579	106,579
PROGRAM SPECIFIC DISTRIBUTION				
Federal Funds	497,263	2,324,034	2,324,034	2,324,034
State Park Earnings Fund	0	65,290	65,290	65,290
Historic Preservation Revolving Fund	13,000	0	0	0
Parks Sales Tax Fund	100,000	100,000	100,000	100,000
TOTAL	\$ 30,097,003	\$ 35,523,831	\$ 35,902,702	\$ 36,232,389
General Revenue Fund	647,872	0	0	0
Federal Funds	887,859	2,659,671	2,659,671	2,665,304
State Park Earnings Fund	3,483,505	5,289,628	5,330,534	5,344,188
Historic Preservation Revolving Fund	91,998	0	0	0
DNR Cost Allocation Fund	1,155,271	1,244,952	1,244,952	1,261,947
State Facility Maintenance and Operation Fund	314,545	368,067	368,067	371,431
Parks Sales Tax Fund	23,284,351	25,632,293	25,970,258	26,258,057
Meramec-Onondaga State Parks Fund	12,286	16,493	16,493	16,660
Babler State Park Fund	219,316	312,727	312,727	314,802
Full-time equivalent employees				
	781.85	755.52	761.02	761.02

DEPARTMENT OF NATURAL RESOURCES

DIVISION OF STATE PARKS

The Division of State Parks manages the many recreational, cultural, and historical resources of the Missouri state parks system. The division also administers programs to promote outdoor recreation statewide.

Missouri's state parks system consists of 83 state parks and historic sites covering approximately 138,000 acres and includes 4,000 campsites, 300 cabin and motel units, 9 dining lodges, and 13 group camps. The system is divided into six districts, with each of the district headquarters reporting to the Central Office in Jefferson City. Administrative, maintenance, and service personnel manage the lands and improvements, provide recreational and educational programs for visitors, and provide necessary law enforcement. Funding provided by the one-tenth of one percent parks and soils sales tax has been used for projects such as campground remodeling; the addition of shower houses and restrooms; paving of roads within campgrounds; restoration of landscapes; and additional personnel for maintenance, education, and site interpretation. The parks and soils sales tax provides continued restoration and improvement of the state parks system and allows division staff to better serve the over 18 million people who visit parks and historic sites each year.

Central Office administration directs and coordinates the management of the state parks system. Responsibilities include personnel management, budget and policy development, and the evaluation of management procedures and performance. Central Office staff provides logistical support to the individual state parks; supervises the grounds maintenance of the State Capitol Complex; and operates the central sign shop, central warehouse, and aerial device unit. Staff also identifies unique natural areas which may require protection; conducts special studies related to parks operations and development; and prepares site, architectural, and engineering plans and maps.

The division assists the State Inter-Agency Council for Outdoor Recreation in the administration of grants that finance outdoor recreation projects. The division also provides assistance to the Lewis and Clark Bicentennial Commission in the administration of grants to local communities preparing for the upcoming commemoration of the "Corps of Discovery."

Fiscal Year 2004 Governor's Recommendations

- \$456,844 other funds and 5.5 staff and related expense for development of Roger Pryor Pioneer Backcountry and increased operations of Hunter-Dawson State Historic Site, State Museum, Clark's Hill-Norton State Historic Site, and Thousand Hills State Park.
- \$329,687 other funds for pay plan.
- (\$77,973) other funds for one-time expenditures.

DEPARTMENT OF NATURAL RESOURCES

GEOLOGICAL SURVEY AND RESOURCE ASSESSMENT DIVISION

The Geological Survey and Resource Assessment Division's main offices are in Rolla, Missouri. The mission of this division is to investigate the state's geology and apply technical knowledge to environmental decisions; to determine the character and availability of the state's water, energy and mineral resources; to restore and maintain the original land survey monuments and maintain a repository of land survey records; to enforce the state's dam and reservoir safety laws as well as the well driller's law; and to distribute technical information. The division's work focuses on those areas where Missourians are best served by sound environmental science.

Geological Survey Program – The Geological Survey Program provides a wide variety of geological activities that assist citizens, industry, academia, and government. The program works closely with other environmental regulatory programs to evaluate geologic conditions where geologic information is essential for proper environmental planning and decision making. The program also regulates all well drilling activities in Missouri, permitting well drillers, certifying proper construction of new wells, and registering the proper abandonment of old wells. Geologic mapping, mineral resource assessments, and geologic and earthquake hazard evaluations are other program activities.

Water Resources Program – Program staff provides information for Missouri's comprehensive water needs by examining surface water and groundwater resource use and availability. Hydrologists and geologists study our water resources to help prevent contamination and to develop water supplies for use. The program maintains a statewide aquifer-monitoring network with real time water quantity data. They also analyze surface water flow data to help the state plan for flood and drought conditions. The program holds strong representation on numerous interstate and interagency river basin associations for negotiations, reviews, and decision-making purposes to defend our state's water resources. The State Water Plan is the responsibility of this program.

Dam and Reservoir Safety Program – Public safety is the focus of this program. The program is responsible for protecting the lives and property of Missourians that live below the approximately 600 dams that they regulate. Under the authority of the Dam and Reservoir Safety Council, program staff reviews dam permit applications, inspects existing dams for safety hazards, conducts field visits to be sure that construction is in compliance with engineering plans, and makes every effort to ensure dam structures are safe. Emergency assistance is provided when a major flood or seismic event occurs.

Land Survey Program – Since the inception of the Land Survey Program in 1969, Missouri has experienced a reversal in the trend of lost land corners. A statewide geographic reference system is maintained by the program and they manage a statewide repository of land records. Land survey information is available for specific regions or the public can view the original land survey notebooks and information collected when the state was first surveyed. The program works with private surveyors and counties to maintain the state's U.S. Public Land Survey System that serves as our framework for the determination of all property boundaries.

Administration - This section supports the division with personnel, budget, and other financial matters. Information distribution and database management are the responsibility of this program. Building maintenance, computer support, and division management are in this program. The division director serves as Missouri's State Geologist and serves on several boards and commissions.

Fiscal Year 2004 Governor's Recommendations

- \$30,046 for pay plan, including \$15,099 general revenue.
- \$25,954 other funds and .5 staff and related expenses transferred from Air and Land Protection Division.
- (\$291,984) and (7.45) staff in core reduction from the Fiscal Year 2003 appropriation level.

**DEPARTMENT OF NATURAL RESOURCES
ENVIRONMENTAL PROGRAMS**

FINANCIAL SUMMARY

	FY 2002 EXPENDITURE	FY 2003 APPROPRIATION	FY 2004 REQUEST	GOVERNOR RECOMMENDS FY 2004
Environmental Quality Operations	\$ 43,528,376	\$ 0	\$ 0	\$ 0
Water Protection and Soil Conservation	0	23,623,669	24,958,033	24,694,706
Air and Land Protection	0	26,263,502	23,936,491	23,940,946
Inspection/Maintenance	732,556	2,068,447	2,068,447	2,068,447
Environmental Finance Support	44,921,947	186,397,524	185,266,524	182,790,174
DIVISIONAL TOTAL	\$ 89,182,879	\$ 238,353,142	\$ 236,229,495	\$ 233,494,273
PERSONAL SERVICE				
General Revenue Fund	5,975,274	5,230,557	5,230,557	3,901,602
Federal Funds	10,130,408	10,999,915	10,903,486	11,037,212
Solid Waste Management Fund	244,033	283,458	283,458	283,458
NRPF - Air Pollution Permit Fee Subaccount	3,721,197	3,556,932	3,763,398	3,763,398
Petroleum Storage Tank Insurance Fund	982,659	1,079,630	1,051,373	1,051,373
Soil and Water Sales Tax Fund	1,750,681	1,972,261	1,972,261	1,972,261
Missouri Air Pollution Control Fund	8,201	41,510	41,510	41,510
Water and Wastewater Loan Fund	419,498	428,947	0	0
Hazardous Waste Remedial Fund	739,632	832,352	747,414	747,414
Other Funds	9,530,898	9,870,264	10,446,087	11,456,045
EXPENSE AND EQUIPMENT				
General Revenue Fund	1,179,739	838,090	838,090	664,609
Federal Funds	4,434,950	13,436,288	11,290,140	11,290,140
Solid Waste Management Fund	208,328	227,209	327,089	327,089
NRPF - Air Pollution Permit Fee Subaccount	1,507,633	1,059,956	1,425,994	1,425,994
Soil and Water Sales Tax Fund	992,128	1,464,494	1,094,846	1,094,846
Petroleum Storage Tank Insurance Fund	13,836	58,163	23,909	23,909
Water and Wastewater Loan Fund	115,543	255,746	3	3
Hazardous Waste Remedial Fund	363,414	399,401	297,676	297,676
Missouri Air Pollution Control Fund	477	7,290	6,496	6,496
Other Funds	3,106,012	8,989,558	8,840,677	8,840,677
PROGRAM SPECIFIC DISTRIBUTION				
General Revenue Fund	262,952	2,482,859	2,482,859	6,509
Federal Funds	5,755,709	4,147,792	12,144,192	12,144,192
Solid Waste Management Fund	0	6,299,986	6,299,986	6,299,986
NRPF - Air Pollution Permit Fee Subaccount	1,911,474	1,954,400	2,027,000	2,027,000
Water and Wastewater Loan Revolving Fund	0	31,000,000	24,000,000	24,000,000
Soil and Water Sales Tax Fund	21,725,357	35,148,544	35,517,192	35,518,192
Water and Wastewater Loan Fund	0	51,000,000	50,000,000	50,000,000
Hazardous Waste Remedial Fund	0	15,638	15,638	15,638
Other Funds	14,102,846	45,271,902	45,158,164	45,257,044
TOTAL	\$ 89,182,879	\$ 238,353,142	\$ 236,229,495	\$ 233,494,273
General Revenue Fund	7,417,965	8,551,506	8,551,506	4,572,720
Federal Funds	20,321,067	28,583,995	34,337,818	34,471,544
Solid Waste Management Fund	452,361	6,810,653	6,910,533	6,910,533
Petroleum Storage Tank Insurance Fund	996,495	1,137,793	1,075,282	1,075,282
NRPF - Air Pollution Permit Fee Subaccount	7,140,304	6,571,288	7,216,392	7,216,392
Water and Wastewater Loan Revolving Fund	0	31,000,000	24,000,000	24,000,000
Soil and Water Sales Tax Fund	24,468,166	38,585,299	38,584,299	38,585,299
Water and Wastewater Loan Fund	535,041	51,684,693	50,000,003	50,000,003
Hazardous Waste Remedial Fund	1,103,046	1,247,391	1,060,728	1,060,728
Missouri Air Pollution Control Fund	8,678	48,800	48,006	48,006
Other Funds	26,739,756	64,131,724	64,444,928	65,553,766
Full-time equivalent employees	948.95	938.93	942.58	931.22

DEPARTMENT OF NATURAL RESOURCES

ENVIRONMENTAL PROGRAMS

The Department of Natural Resources reorganized in Fiscal Year 2003. The Division of Environmental Quality was eliminated and replaced with two new divisions. The Water Protection and Soil Conservation Division was created to focus on specific environmental issues dealing with water pollution, public drinking water, and soil and water conservation. The Air and Land Protection Division was created to focus on specific issues dealing with air pollution, solid waste management, hazardous waste, and land reclamation.

WATER PROTECTION AND SOIL CONSERVATION DIVISION

The Water Protection and Soil Conservation Division oversees the state's environmental programs in the areas of wastewater, drinking water, and soil conservation. Structurally, there is an administrative unit and three programs, six regional offices, and seven satellite offices. These functional components are responsible for implementing and enforcing state and federal environmental statutes and programs.

Administration – Division administrative staff coordinates program activities, analyzes personnel procedures, coordinates budget preparation, reviews and implements legislation, reviews program reports, and represents the programs and commissions at departmental, state, and federal meetings. The administrative staff also maintains a divisional management system to identify and address environmental issues.

Water Pollution Control Program – The Water Pollution Control Program implements state laws, regulations, and policies developed by the Clean Water Commission to maintain and improve water quality. The staff provides administrative and technical assistance to the commission, issues and monitors wastewater discharge permits, reviews engineering plans and specifications for new facilities, enforces state water quality regulations, trains wastewater treatment plant operators, and administers state and federal grants and the state revolving loan fund for the construction of wastewater treatment facilities.

Public Drinking Water Program – The Public Drinking Water Program strives to ensure that the public receives drinking water that is free from harmful levels of contaminants. The staff evaluates and records water sample data to provide early detection of health problems, maintains historical records of water quality analyses and trends, and reviews engineering plans for water treatment facilities. The program administers grants to small communities to partially fund the construction of water supply systems. The Department of Health and Senior Services assists the program to protect public health by conducting bacteriological laboratory analyses.

Soil and Water Conservation Program – The Soil and Water Conservation Program implements the policies of the Soil and Water Districts Commission. Staff assists Missouri's soil and water conservation districts and administers several soil conservation programs funded by one-half of the one-tenth of one percent sales tax renewed by Missouri voters in November 1988.

Sales tax funded programs include: state cost-share grants for 50-75 percent of farmers' costs of approved soil conservation practices, low-interest loans for conservation practices and equipment, grants to local districts for administrative expenses and technical assistance, special incentives for intensive conservation measures in specified areas, and grants for research on soil conservation problems. These programs represent a significant investment by all Missourians in the long-term productivity of our most basic resource, the soil. Sales tax funds also are used to accelerate soil survey mapping efforts to provide factual information on Missouri soils.

DEPARTMENT OF NATURAL RESOURCES

ENVIRONMENTAL PROGRAMS (Continued)

WATER PROTECTION AND SOIL CONSERVATION DIVISION (Continued)

Regional Offices – The department has regulatory authority over more than 80,000 permitted/approved facilities in the state. Since these are located throughout the state, regional and satellite offices have provided compliance oversight to ensure the environment and citizens' health and safety are protected. Staff typically completes over 15,000 inspections and over 4,000 complaint investigations. The six regional offices are located in Jefferson City, Kansas City, Macon, Poplar Bluff, Springfield, and St. Louis. In Fiscal Year 2004 the Jefferson City regional office will be closed. Staff from other offices will assume the responsibilities of that office.

Fiscal Year 2004 Governor's Recommendations

- \$1,141,324 federal and other funds and six staff and related expenses from Air and Land Protection Division Administration.
- \$124,456 federal funds and two staff and related expenses to maximize federal funds to assist with the administration of Environmental Protection Agency special infrastructure grants.
- \$103,132 federal funds and two staff and related expenses to help water systems comply with new and existing federal regulations.
- \$80,862 for pay plan, including \$15,154 general revenue.
- .15 staff transferred from Water Protection and Soil Conservation Division.
- (\$344,189) and (9.36) staff in core reduction from the Fiscal Year 2003 appropriation level.
- (\$34,548) other funds for one-time expenditures.

AIR AND LAND PROTECTION DIVISION

The Air and Land Protection Division oversees the state's environmental programs in the areas of air pollution control, hazardous waste management, solid waste management, mining reclamation, and the Environmental Services Program (ESP), which consists of the environmental laboratory and emergency response. Structurally, there is an administrative unit and five programs. These six functional components are responsible for implementing and enforcing state and federal environmental statutes and programs.

Administration – Division administrative staff coordinates program activities, analyzes personnel procedures, coordinates budget preparation, reviews and implements legislation, reviews program reports, and represents the programs and commissions at departmental, state, and federal meetings. The administrative staff also maintains a divisional management system to identify and address environmental issues.

Environmental Services Program – The Environmental Services Program coordinates state, federal, and local efforts during environmental emergencies and ensures that the emergency is brought to a safe and environmentally sound conclusion. The staff investigates petroleum leaks from underground storage tanks and laboratory analyses in support of the ESP's responsibilities, as well as in support of the other programs within the division.

Air Pollution Control Program – The Air Pollution Control Program provides staff support to the Air Conservation Commission, which is responsible for developing policies to maintain and enhance the state's air quality. Staff coordinates air pollution control activities among other programs in the division and with local air pollution control agencies. In addition, staff updates the state implementation plan, evaluates air quality data to determine the need for air pollution control, and implements a vehicle emissions inspection/maintenance program in the St. Louis area. Staff also inspects air pollution sources to determine compliance with regulations, provides needed technical assistance, evaluates permit applications, and controls equipment to ensure compliance with state air quality standards.

Solid Waste Management Program – The Solid Waste Management Program protects public health and the environment by requiring proper management of solid waste. This is accomplished by encouraging waste reduction, reuse, recycling, energy recovery, improved processing, and proper disposal. The implementation of alternatives to landfills will eliminate the potential shortage of landfill capacity and encourage a better use of our natural resources. By effectively regulating solid waste facilities and requiring implementation of solid waste management plans, water pollution, and air pollution, the transmission of disease can be prevented.

Hazardous Waste Management Program – State law requires oversight of hazardous waste practices from the point of generation through final disposal. Hazardous waste generators are required to register with the Hazardous Waste Program and the movement of waste is tracked through a manifest and quarterly reporting system. These systems allow the program to identify the amount and types of waste, which are generated, stored, containerized, transported off-site, and treated or disposed of so it can detect any illegal or improper handling of waste which may threaten public health or the environment.

The Hazardous Waste Program also uses several means to solve problems at abandoned or uncontrolled hazardous waste sites including preliminary assessments, site investigations, feasibility studies, remedial investigations, interim remedial measures, immediate removals, and long-term or final remedial actions. The various steps of cleaning up a hazardous waste site may be conducted in coordination with the U.S. Environmental Protection Agency, solely by the state, or by the responsible party with state oversight.

DEPARTMENT OF NATURAL RESOURCES

ENVIRONMENTAL PROGRAMS (Continued)

AIR AND LAND PROTECTION DIVISION (Continued)

Land Reclamation Program – The Land Reclamation Program provides staff support and technical assistance to the Land Reclamation Commission. The commission regulates the mining of coal and other mineral commodities in Missouri and provides for the reclamation of mined lands. Staff reviews mining and reclamation plans, issues permits that require security bonds for the reclamation of mined lands, and inspects sites for reclamation performance. Permit applications also are evaluated for the mining of barite, tar sands, clay, limestone, sand, and gravel. Other program staff inventories abandoned mines, assesses pollution problems, and establishes priorities for the reclamation of abandoned mined lands.

Fiscal Year 2004 Governor's Recommendations

- \$1,103,928 other funds and 23.91 staff and related expenses to shift funding source from general revenue to the solid waste management fund.
- \$89,083 for pay plan, including \$15,155 general revenue.
- (\$1,188,556) and (25.91) staff and related expenses including core reduction from the Fiscal Year 2003 appropriation level.
- (\$1,159,733) federal and other funds for one-time expenditures.
- (\$1,141,324) federal and other funds and (six) staff transferred to Water Protection and Soil Conservation Division.
- (\$25,954) other funds and (.50) staff transferred to Geological Survey and Resource Assessment Division.

INSPECTION/MAINTENANCE

The Gateway Clean Air Program is part of Missouri's continuing efforts to improve the air quality in the St. Louis area. A major component of the program is the enhanced vehicle emissions test. The emissions test uses state-of-the-art technology and is designed to identify the total amount of emissions generated by today's computer-controlled vehicles under normal driving conditions. The outcome will be cleaner cars on the road and cleaner air to breathe.

Fiscal Year 2004 Governor's Recommendations

Continue funding at the current level.

ENVIRONMENTAL FINANCE SUPPORT PROGRAM

The department continues to provide various pass-through funds for local governments and others to address air pollution, provide for the cleanup of abandoned and uncontrolled hazardous waste sites as well as reclamation of mined sites, monitoring and testing of drinking water supplies, and providing infrastructure funds for drinking water and wastewater facilities.

Fiscal Year 2004 Governor's Recommendations

- \$8,000,000 federal funds to increase core funding to better reflect actual costs to protect the quality of groundwater, streams, and lakes.
- (\$11,601,350) core reduction from the Fiscal Year 2003 appropriation level, including (\$2,476,350) general revenue.
- (\$6,000) other funds for one-time expenditures.

DEPARTMENT OF CONSERVATION

FINANCIAL SUMMARY

	FY 2002 EXPENDITURE	FY 2003 APPROPRIATION	FY 2004 REQUEST	GOVERNOR RECOMMENDS FY 2004
Personal Service	\$ 66,560,598	\$ 69,627,469	\$ 70,739,462	\$ 71,222,024
Expense and Equipment	39,772,542	52,160,411	52,160,411	52,160,411
Program Specific Distribution	3,548,088	3,283,465	3,283,465	3,283,465
TOTAL				
Conservation Commission Fund	\$ 109,881,228	\$ 125,071,345	\$ 126,183,338	\$ 126,665,900
Full-time equivalent employees	1,768.86	1,871.61	1,871.61	1,871.61

POLICY SUMMARY

Overseen by the four-member Conservation Commission, the Department of Conservation works to manage, restore, conserve, and regulate the bird, fish, game, forests, and all other wild resources in the state. Along with the goal of creating healthy, sustainable plant and animal communities well into the future, the department also works to provide opportunities for all citizens to use, enjoy, and learn about Missouri plant and animal communities. As part of a long-range, strategic planning process, the department has met with citizens statewide to design an operations plan. Key areas of the plan address: public land and water, private land and water, information and public awareness, education and interpretation, research and monitoring, and regulation and enforcement.

The department carries out its duties through nine divisions: Fisheries, Wildlife, Forestry, Protection, Outreach and Education, Administrative Services, Science, Human Resources, and Private Lands Services. The Department of Conservation protects, preserves, and sustains forests and wildlife on the lands it owns and manages; however, the majority of Missouri land is in private hands (about 93 percent or 41.5 million acres). The Private Lands Services Program reaches out to private landowners to improve conservation practices on their farms, forests, and land holdings. At the heart of this approach is a cadre of private land conservationists living in local communities and delivering, upon request, conservation information, programs, and assistance to private landowners, large and small. Department employees help private landowners maintain and improve the value they get from their land, while they optimize their property's fish, wildlife, and forestry habitats. The Governor recommends \$126.7 million to support the department's efforts.

Following are some performance measures the Department of Conservation uses to evaluate its goal of protecting Missouri's fish, forest, and wildlife:

	2000	2001	2002
Number of acres of Conservation land available (fee title)	768,397	771,630	774,040
Number of acres designated as Missouri natural areas	52,339	54,378	56,300
Number of hunting and fishing permit holders	1,414,485	1,652,422	1,407,299
Number of visitors to nature centers/interpretive sites	845,000	780,000	850,000
Number of Stream Team members	31,180	35,250	40,820
Number of landowner contacts	13,487	26,504	51,329
Number of people receiving hunter certification	28,993	29,895	33,685
Number of stream and lake motor boat accesses	235	247	252

Fiscal Year 2004 Governor's Recommendations

- \$1,111,993 conservation commission funds for increased health insurance costs.
- \$482,562 conservation commission funds for pay plan.

DEPARTMENT OF ECONOMIC DEVELOPMENT

FINANCIAL SUMMARY

	FY 2002 EXPENDITURE	FY 2003 APPROPRIATION	FY 2004 REQUEST	GOVERNOR RECOMMENDS FY 2004
Business Division	\$ 23,781,421	\$ 37,664,397	\$ 39,764,397	\$ 39,236,413
Community Development	47,797,434	46,218,277	47,673,513	43,680,819
Workforce Development	79,239,429	101,731,814	102,731,814	124,717,640
Division of Tourism	16,090,553	15,203,668	15,203,668	15,203,668
Affordable Housing	4,360,159	5,025,806	4,984,742	4,998,818
Financial Institution Safety and Soundness	5,564,145	5,970,099	5,962,776	5,981,043
Motor Carrier and Railroad Safety	3,161,401	3,958,647	0	0
Utility Regulation	16,380,425	19,098,979	19,098,979	19,125,171
Professional Registration	11,414,936	14,278,736	14,565,300	14,655,881
Administrative Services	7,882,898	11,090,161	11,620,941	11,742,720
DEPARTMENTAL TOTAL	\$ 215,672,801	\$ 260,240,584	\$ 261,606,130	\$ 279,342,173
General Revenue Fund	41,533,514	44,000,629	48,085,065	45,327,928
Federal Funds	121,262,370	143,580,975	143,769,190	163,541,348
Other Funds	52,876,917	72,658,980	69,751,875	70,472,897
Full-time equivalent employees	1,415.37	1,614.73	1,542.73	1,534.48

POLICY SUMMARY

Governor Holden's Fiscal Year 2004 budget for the Department of Economic Development continues efforts to help ensure Missouri's economic success. The department works to enhance Missouri's businesses, strengthen Missouri's workforce, and improve Missouri's urban and rural communities.

A weakened economy and considerable growth in mandatory programs like Medicaid has resulted in the most significant challenge the state has faced since the Depression. The Fiscal Year 2004 budget includes substantial core reductions. However, the budget also recognizes that the state cannot cut its way out of the current fiscal problems without severely reducing essential services provided to Missourians. General revenue budget increases have been limited to mandatory programs. Governor Holden's priorities are protecting the state's investment in education and ensuring that our most vulnerable citizens – children, the elderly, and disabled – are shielded to the greatest extent possible from budget reductions.

Business Productivity and Sustained Economic Growth

Missouri experienced challenges in 2002 as the longest economic expansion in U.S. history came to an end. Despite rising unemployment rates and the loss of jobs all around the state, Missouri maintained a high national ranking on the cost of living index, and personal income in the state rose in line with national averages. Further, in 2002, Missouri ranked above the regional and national average in the Purchasing Managers Index which economists consider a key indicator for future expansionary economies.

The department administers 33 tax credit programs. Several of these tax credit programs focus on business recruitment. In Fiscal Year 2002, \$26 million worth of these business recruitment tax incentives resulted in \$1.5 billion dollars of investment in Missouri. Investments of \$22 million in these incentives in Fiscal Year 2002 resulted in \$115 million in new private investments. Still, some tax credits have not produced the desired returns on investment. Therefore, the department has worked with the Ad Hoc Task Force on Tax Credits to develop revisions that will eliminate some tax credits and refocus others. Tax credits must meet the needs of the state's changing economy and stimulate economic growth and recovery. A percentage of the savings from the revision of these tax credits will be reinvested in the following areas:

- Increase and enhance the work of the Missouri Technology Corporation, to create a statewide, public/private effort to promote the growth and use of new technologies by Missouri businesses.
- Create and fund a Research Alliance of Missouri that can identify promising new technologies and research expertise and connect researchers with technical and capital resources.
- Revise and expand the mission of Innovation Centers to help create new Missouri companies and jobs.
- Create a more effective mechanism to identify selling and purchasing opportunities for Missouri businesses.

DEPARTMENT OF ECONOMIC DEVELOPMENT

POLICY SUMMARY (Continued)

Some performance measures the Department of Economic Development uses to evaluate Missouri's economic prosperity follow:

	2000	2001	2002
Total Number of Missourians employed	2,828,380	2,852,100	2,808,462
Sales of Missouri businesses through DED programs (billions)	\$1.515	\$1.885	\$1.886
Cost savings of Missouri firms through DED programs (millions)	\$19.99	\$25.46	\$48.2
Direct tourist expenditures in Missouri (billions)	\$5.7	\$5.5	\$5.5

Education and Workforce Development

Strengthening Missouri's workforce requires the state to provide well-trained workers that attract businesses and high-paying jobs to the state. Despite previous progress toward creating a one-stop agency for workforce services, major programs are still located in two different departments. The Department of Social Services is responsible for providing Temporary Assistance to Needy Families (TANF) recipients with resources for direct client services, job readiness, educational activities, and community work experience programs. The Department of Economic Development works on a daily basis with Missouri employers, employees, and potential businesses through the Missouri WORKS! Program, Workforce Investment areas, and Missouri Career Centers. The Governor recommends transferring the Department of Social Services' functions to the Department of Economic Development to fully integrate Missouri's workforce development system and resources for workforce support services such as transportation and training in one stop. This "no wrong door" approach will consolidate job creation and placement in Missouri and create a single point of contact for businesses on workforce issues.

The Governor's proposed restructuring will save \$1.1 million and result in a reduction of 153.67 staff positions. To ensure Missourians needing employment receive the most comprehensive services and eliminate duplication of existing efforts, the Governor recommends:

- Transferring \$22 million from the Department of Social Services to the Department of Economic Development, Division of Workforce Development.
- Co-locating the Family Support Division income maintenance staff in Missouri Career Centers to provide one-stop access to necessary services that assist unemployed Missourians get a job.
- Transferring the Division of Child Support Enforcement's Parent's Fair Share Program to the Division of Workforce Development, ensuring that Missouri's non-custodial, unemployed parents have access to comprehensive employment services and can support their children.
- Establishing common intake, support services authorization, and Internet-based case management data sharing among departments that serve TANF clients.
- Transferring the Missouri Occupational and Information Coordinating Council from the Department of Elementary and Secondary Education to the Department of Economic Development, creating a single state source for Missouri Labor Market Information.

Some performance measures the Department of Economic Development uses to evaluate Missouri's labor force follow:

	2000	2001	2002
Number of Missourians using DED services to bring them above the poverty level	17,730	21,730	24,873
Number of people who use DED services and obtain employment	90,158	94,814	103,545
Number of people who use DED services to obtain a higher wage job	62,229	79,347	94,835

Competitive Urban and Rural Communities

Missouri communities, both rural and urban, need assistance for redevelopment, housing, and community programs which benefit all ages. The Department of Economic Development administers several tax credit programs that provide communities assistance in improving their economic performance, enhancing quality of life, and sustaining economic growth. In Fiscal Year 2002, Missourians redeemed \$102 million tax credits for redevelopment projects, community development projects, and housing. In return for that investment, Missouri communities enjoyed an increase of \$670 million private investment in redevelopment and \$315 million in affordable housing. Additionally, the use of the credits created 12,978 jobs and assisted in the redevelopment and construction of 5,041 housing units.

**DEPARTMENT OF ECONOMIC DEVELOPMENT
BUSINESS DIVISION**

FINANCIAL SUMMARY

	FY 2002 EXPENDITURE	FY 2003 APPROPRIATION	GOVERNOR RECOMMENDS FY 2004
Business Division Programs	\$ 8,791,283	\$ 12,814,975	\$ 14,386,991
Missouri Job Development Fund	4,281,627	8,849,422	8,849,422
Missouri Community College New Jobs Training	10,708,511	16,000,000	16,000,000
DIVISIONAL TOTAL	\$ 23,781,421	\$ 37,664,397	\$ 39,236,413
PERSONAL SERVICE			
General Revenue Fund	2,174,562	1,798,817	1,598,062
Federal Funds	78,264	212,117	212,332
Department of Economic Development Administrative Fund	21,780	87,269	87,336
Missouri Job Development Fund	252,571	325,888	326,557
EXPENSE AND EQUIPMENT			
General Revenue Fund	3,098,934	2,498,979	2,961,215
Federal Funds	644	6,974	6,974
Department of Economic Development Administrative Fund	0	25,600	25,600
International Promotions Revolving Fund	74,799	71,538	73,438
Missouri Job Development Fund	73,541	88,389	88,389
PROGRAM SPECIFIC DISTRIBUTION			
General Revenue Fund	7,097,215	11,745,364	13,054,948
Federal Funds	0	2,200,000	2,200,000
Department of Economic Development Administrative Fund	0	2,600,000	2,600,000
Missouri Community College Job Training Program Fund	10,708,511	16,000,000	16,000,000
International Promotions Revolving Fund	600	3,462	1,562
Petroleum Violation Escrow Fund	200,000	0	0
TOTAL	\$ 23,781,421	\$ 37,664,397	\$ 39,236,413
General Revenue Fund	12,370,711	16,043,160	17,614,225
Federal Funds	78,908	2,419,091	2,419,306
Department of Economic Development Administrative Fund	21,780	2,712,869	2,712,936
Missouri Community College Job Training Program Fund	10,708,511	16,000,000	16,000,000
International Promotions Revolving Fund	75,399	75,000	75,000
Missouri Job Development Fund	326,112	414,277	414,946
Petroleum Violation Escrow Fund	200,000	0	0
Full-time equivalent employees	71.58	63.25	59.50

DEPARTMENT OF ECONOMIC DEVELOPMENT

BUSINESS DIVISION (Continued)

BUSINESS DIVISION PROGRAMS

The Department of Economic Development continues to provide timely and useful services to Missouri businesses through the Business Division which offers the following programs:

Missouri Business Center –The Missouri Business Center provides information on the essential planning steps that should be taken before starting a business in Missouri, including how to develop a business and marketing plan and information on current regulations. The Office of Minority Business provides direct assistance to minority and women-owned businesses regarding business planning and resource opportunities.

Office of Business Finance – The Office of Business Finance provides information regarding tax credit programs and venture capital investment opportunities in order to help a Missouri small business increase private investment into their business. This office also assists with foreign investment opportunities.

Office of Science and Technology – The Office of Science and Technology coordinates the activities of the Innovation Centers and Missouri Enterprise programs which assist Missouri businesses in increasing efficiency, productivity and competitiveness.

Office of International Marketing – The Office of International Marketing (OIM) focuses on the development of international export sales of Missouri products and services and also foreign investment opportunities. OIM offers assistance through several foreign offices located in areas such as London, England; Tokyo, Japan; Monterrey, Mexico; and Ghana, Africa.

Business Attraction Section – The Business Attraction Section facilitates the identification and location of new companies to Missouri. Services may include presenting the state as a cost-effective and potentially profitable location for investment, working with local communities to offer a site or building to potential businesses, or providing other assistance to prospective companies.

Research and Development Program – Information is a valuable resource, particularly when attempting to attract and retain business in the state. The Research and Development Program provides a wide variety of research information, including trade publications, business directories, target industry research, business climates, wages by occupation, labor reports, etc.

Incentives Section –The Incentives Section administers the business financing and tax credit programs available to businesses as encouragement to locate or expand their business in Missouri.

Missouri Development Finance Board – The Missouri Development Finance Board administers a range of financing programs for Missouri businesses, local governments, and state agencies. The board issues industrial revenue bonds or notes, provides market rate or low-interest loans and grants to political subdivisions and public infrastructure improvements, and grants tax credits against certain state income taxes in exchange for contributions made to the board.

Fiscal Year 2004 Governor's Recommendations

- \$2,100,000 for a new Small Business Network, the Missouri Technology Corporation, a new Research Alliance Partnership, and Innovation Centers to ensure more technology access for Missouri businesses. This increase is funded by savings in the tax credit provisions.
- \$7,067 for pay plan, including \$6,116 general revenue.
- (\$535,051) and (3.75) staff in core reduction from the Fiscal Year 2003 appropriation level due to reorganization.

MISSOURI JOB DEVELOPMENT FUND

The Missouri job development fund allows the state to provide training to new and expanding businesses. Funding is also used to retrain employees of existing businesses to prevent plant shutdowns by both direct training and increasing ability to leverage federal funds.

Fiscal Year 2004 Governor's Recommendations

Continue funding at the current level.

MISSOURI COMMUNITY COLLEGE NEW JOBS TRAINING

Created by Sections 178.892-178.896, RSMo, the Missouri Community College New Jobs Training Program provides an incentive for the creation of new jobs by providing education and training of workers for new or expanding industries by community college districts.

Fiscal Year 2004 Governor's Recommendations

Continue funding at the current level.

**DEPARTMENT OF ECONOMIC DEVELOPMENT
COMMUNITY DEVELOPMENT**

FINANCIAL SUMMARY

	FY 2002 EXPENDITURE	FY 2003 APPROPRIATION	GOVERNOR RECOMMENDS FY 2004
Community Development Programs	\$ 40,726,994	\$ 40,324,836	\$ 42,345,272
Rural Development Grants	366,749	315,000	315,000
Missouri Rural Opportunities Council	72,983	115,362	0
Missouri Arts Council	4,521,786	5,396,079	953,547
Arts Council - Transfer	1,737,846	0	0
Humanities Council - Transfer	289,551	0	0
Main Street Program - Transfer	81,525	67,000	67,000
DIVISIONAL TOTAL	\$ 47,797,434	\$ 46,218,277	\$ 43,680,819
PERSONAL SERVICE			
General Revenue Fund	1,579,233	1,312,346	972,148
Federal Funds	872,717	981,366	969,722
EXPENSE AND EQUIPMENT			
General Revenue Fund	582,253	881,603	228,569
Federal Funds	684,336	863,523	851,717
PROGRAM SPECIFIC DISTRIBUTION			
General Revenue Fund	7,826,077	7,194,404	5,580,628
Federal Funds	35,252,818	31,585,035	31,678,035
Department of Economic Development Administrative Fund	0	250,000	250,000
Youth Opportunities and Violence Prevention Fund	0	250,000	250,000
Property Reuse Fund	1,000,000	2,900,000	2,900,000
TOTAL	\$ 47,797,434	\$ 46,218,277	\$ 43,680,819
General Revenue Fund	9,987,563	9,388,353	6,781,345
Federal Funds	36,809,871	33,429,924	33,499,474
Department of Economic Development Administrative Fund	0	250,000	250,000
Youth Opportunities and Violence Prevention Fund	0	250,000	250,000
Property Reuse Fund	1,000,000	2,900,000	2,900,000
Full-time equivalent employees	74.89	63.25	61.25

DEPARTMENT OF ECONOMIC DEVELOPMENT

COMMUNITY DEVELOPMENT (Continued)

The mission of the Community Development Group is to increase the capacity of communities and neighborhoods to utilize their resources to raise the economic performance of disadvantaged communities. Capacity is increased by encouraging communities to establish long-term community development programs, economic development programs, and public/private partnerships that improve, strengthen, and diversify local economies and communities. This capacity building entails leadership development, planning, volunteer development, alternative economic development activities, infrastructure improvement, youth development, and enabling local investments directly tied to the needs of the community for enhancing the quality of life and preparing communities for economic, sustainable growth.

COMMUNITY DEVELOPMENT PROGRAMS

Community development programs help communities expand their economic base and improve the quality of life. Grants are awarded to help revitalize communities. Tax credits are offered to help finance redevelopment costs. Youth crime prevention is promoted and regional offices assist all areas of the state.

Fiscal Year 2004 Governor's Recommendations

- \$1,397,388 for current state tax increment financing projects.
- \$714,210 federal funds and one staff for expansion of Americorp and Homeland Security initiatives.
- \$6,506 for pay plan, including \$4,553 general revenue.
- (\$97,668) core reduction from the Fiscal Year 2003 appropriation level.

RURAL DEVELOPMENT GRANTS

The Rural Development Program, which includes the Rural Development Council and rural development grants, provides technical assistance and grants to communities with populations below 15,000. The grants are for job creation and retention, business attraction, and resource recovery.

Fiscal Year 2004 Governor's Recommendations

Continue funding at the current level.

MISSOURI RURAL OPPORTUNITIES COUNCIL

The Missouri Rural Opportunities Council (MoROC) is one of numerous state rural development councils comprising the National Rural Development Partnership. Currently over 500 representatives of federal, state, local, and tribal governments, as well as the private for-profit and not-for-profit sectors, are brought together by MoROC. This neutral forum is designed to define and frame Missouri's rural issues, examine resulting barriers to rural development statewide, and collaborate in removing the impediments to an improved quality of life for all of rural Missouri. This program will be eliminated in Fiscal Year 2004 due to loss of federal funds.

Fiscal Year 2004 Governor's Recommendations

- (\$115,362) federal funds and (two) staff in core reduction from the Fiscal Year 2003 appropriation level.

DEPARTMENT OF ECONOMIC DEVELOPMENT

COMMUNITY DEVELOPMENT (Continued)

MISSOURI ARTS COUNCIL

The Missouri Arts Council (MAC) provides administrative support for the state art agency. As both a funding agency and a comptroller, MAC staff is charged with reviewing funding requests, allocating state and federal funds appropriated for arts programs, monitoring the expenditures of those funds, and providing technical and professional assistance to grantees.

A number of state programs provided by the MAC stimulate and support the arts, including program assistance awards. Statewide programs sponsored by MAC are: Community Arts, Touring Folk Arts, Artist-in-Residence, Visual Arts and Writer's Biennials, public information, and special initiatives. The Community Arts Program awards grants to help local arts councils present arts programs in non-metropolitan areas. The Touring Folk Arts Program provides technical and financial assistance to local arts organizations for tour dates that they book with Missouri visual and performing artists and arts groups. The Artist-in-Residence Program provides short- and long-term residencies for Missouri artists or ensembles in Missouri's elementary schools. Public information services include newsletters, workshops, and directories of community arts councils and artists. The Visual Arts and Writer's Biennials are two-year programs that alternately support, then exhibit, the work of selected Missouri artists. Program assistance awards which provide seed money are made on a 50/50 matching basis to not-for-profit applicants throughout Missouri. Citizen advisory panels recommend the allocation basis for program assistance dollars for each of the discipline areas (dance, music, etc.). Special initiatives, targeted projects initiated by MAC itself, include the African-American Cultural Initiative, arts education programs for Missouri public schools, and statewide conferences.

Fiscal Year 2004 Governor's Recommendations

- \$749 federal funds for pay plan.
- (\$4,443,281) and (one) staff in core reduction from the Fiscal Year 2003 appropriation level, including (\$3,911,281) general revenue. The Missouri arts council trust fund, which does not appear in the Executive Budget, will be used to continue Arts Council operations.

ARTS COUNCIL TRANSFER

Section 143.183, RSMo, allows for the transfer of 60 percent of state income tax revenues for non-resident, professional athletes and entertainers to the Missouri arts council trust fund.

HUMANITIES COUNCIL TRANSFER

Section 143.183, RSMo, allows for the transfer of ten percent of state income tax revenues from non-resident, professional athletes and entertainers to the Missouri humanities council trust fund.

MAIN STREET PROGRAM TRANSFER

Sections 251.470-251.485, RSMo, allow for the general assembly to appropriate funds to the Missouri main street program fund.

Fiscal Year 2004 Governor's Recommendations

Continue funding at the current level.

**DEPARTMENT OF ECONOMIC DEVELOPMENT
WORKFORCE DEVELOPMENT**

FINANCIAL SUMMARY

	FY 2002 EXPENDITURE	FY 2003 APPROPRIATION	GOVERNOR RECOMMENDS FY 2004
Workforce Development Administration	\$ 17,945,797	\$ 23,916,339	\$ 24,568,483
Workforce Programs	61,054,742	77,450,000	99,807,398
Women's Council	97,904	149,475	125,759
Caring Communities	121,646	0	0
Special Employment Security Fund	19,340	216,000	216,000
DIVISIONAL TOTAL	\$ 79,239,429	\$ 101,731,814	\$ 124,717,640
PERSONAL SERVICE			
General Revenue Fund	104,443	153,046	87,332
Federal Funds	14,568,421	19,355,460	19,806,545
Child Support Enforcement Collections Fund	0	0	178,881
EXPENSE AND EQUIPMENT			
General Revenue Fund	33,412	59,397	119,190
Federal Funds	4,720,814	6,445,845	7,225,313
Child Support Enforcement Collections Fund	0	0	18,955
Special Employment Security Fund	19,340	216,000	216,000
PROGRAM SPECIFIC DISTRIBUTION			
General Revenue Fund	67,044	0	1,919,981
Federal Funds	59,725,955	75,502,066	94,775,260
Child Support Enforcement Collections Fund	0	0	370,183
TOTAL	\$ 79,239,429	\$ 101,731,814	\$ 124,717,640
General Revenue Fund	204,899	212,443	2,126,503
Federal Funds	79,015,190	101,303,371	121,807,118
Child Support Enforcement Collections Fund	0	0	568,019
Special Employment Security Fund	19,340	216,000	216,000
Full-time equivalent employees	453.37	609.22	606.72

DEPARTMENT OF ECONOMIC DEVELOPMENT

WORKFORCE DEVELOPMENT (Continued)

The Division of Workforce Development provides a well-balanced employment and training system, giving Missourians the opportunity to achieve their full career and employment potential through high quality programs. Missouri employers also benefit from a more competitive and better-trained workforce. The Job Service Program offers a network of services delivered in a customer-focused environment to help people find and retain employment. Services include provision of labor market information, career counseling, testing, and job readiness training. Job Service also assists employers in meeting their employment needs by referring qualified workers for job openings and providing information to help plan for future workforce needs.

WORKFORCE DEVELOPMENT ADMINISTRATION

Workforce Investment Act funds, along with federal Job Service Program funds, are administered by the Division of Workforce Development. These funds are targeted toward the economically disadvantaged, Temporary Assistance for Needy Families recipients, school dropouts, and dislocated workers.

Fiscal Year 2004 Governor's Recommendations

- \$114,994 for pay plan, including \$744 general revenue.
- \$600,118 federal and other funds transferred from the Department of Social Services.
- (\$62,968) and (1.5) staff in core reduction from the Fiscal Year 2003 appropriation level.

WORKFORCE PROGRAMS

The mission of the federal Workforce Investment Act Program is to serve Missourians by: providing training and employment opportunities; establishing a flexible, coordinated, and decentralized training system; and coordinating these programs with other employment and training-related programs. The employment and training programs offered on a statewide basis include: Workforce Investment Act programs, Trade Adjustment Assistance Program, North American Free Trade Agreement programs, Rapid Response Worker programs, and the Missouri Youth Service Conservation Corps. Individuals who meet eligibility requirements for the programs may access services to make them more competitive in the workforce. Historically, the Division of Workforce Development, along with local service delivery areas, have provided a full range of services authorized under the Workforce Investment Act which are designed to prepare individuals with barriers to employment for the workforce. Services include referral to job openings, job readiness skills training, referral to classroom or employer training, as well as payment of support services such as transportation. The Missouri Training and Employment Council provides direction to the Division of Workforce Development on policies and procedures to ensure that local service delivery area programs comply with Workforce Investment Act financial and program requirements.

Fiscal Year 2004 Governor's Recommendations

- \$1,000,000 federal funds for increased demand related to the Trade Adjustment Act.
- \$21,061,436 transferred from the Department of Social Services, including \$2,000,000 general revenue.
- \$295,962 federal and other funds transferred from the Office of Administration for reinvestment of fringe savings due to staff reduction.

WOMEN'S COUNCIL

Through its meetings, staff support, and other activities, the Missouri Women's Council addresses the issues of expanding women's opportunities through education and training programs; occupational mobility in lower and middle employment levels; access to jobs with higher skill and managerial duties; small business opportunities; access to non-traditional skills through apprenticeships and vocational training; retraining programs and facilities for unemployed women, especially in growth sector; federal or private funds and grants available for such employment and training programs; and studies, seminars, and conferences on related topics. The council also prepares an annual state needs assessment to identify problem geographic areas; establishes long- and short-term goal statements; inventories current federal, state, local, and private programs relating to women's economic needs; and prepares plans to address those problem areas.

Fiscal Year 2004 Governor's Recommendations

- (\$23,716) and (one) staff in core reduction from the Fiscal Year 2003 appropriation level.

DEPARTMENT OF ECONOMIC DEVELOPMENT

WORKFORCE DEVELOPMENT (Continued)

CARING COMMUNITIES PROGRAM

Caring Communities is an effort designed to deliver a wide array of human services in a locally-designed manner. Services such as employment, counseling, adult education, child care, health screening, mental health, and other family and child-oriented services are delivered in a school-based or school-linked setting in an effort to make services more responsive to family needs. The program was consolidated into the Department of Social Services in Fiscal Year 2003.

SPECIAL EMPLOYMENT SECURITY FUND

The special employment security fund is derived from interest and penalties collected under the provisions of the Missouri Employment Security Law. Expenditures from this fund are made in accordance with Section 288.310, RSMo, the Employment Security Law.

Fiscal Year 2004 Governor's Recommendations

Continue funding at the current level.

DIVISION OF TOURISM

The Division of Tourism promotes Missouri's tourist attractions with direct media campaigns, vacation guides, and public relations efforts. The Division of Tourism also operates six tourism information centers at key entry points throughout the state and a seventh located in the Truman State Office Building in Jefferson City. Beginning in Fiscal Year 1995, the division has been funded with a portion of the growth in tax revenues on tourism-oriented goods and services.

Fiscal Year 2004 Governor's Recommendations

Continue funding at the current level.

AFFORDABLE HOUSING

The Missouri Housing Development Commission (MHDC) was established in 1969 by the 75th General Assembly to assist in the creation of housing for low- and moderate-income people of Missouri. Section 215.020, RSMo, states: "There is hereby created and established as a governmental instrumentality of the State of Missouri the "Missouri Housing Development Commission" which shall constitute a body corporate and public."

MHDC generates multi-family rental production through a variety of funding sources, including its own fund balances; the state's allocation of federal funds; its authority to issue tax-exempt and taxable bonds; and state and federal housing tax credits. MHDC also offers single-family programs for qualified first-time homebuyers, such as its Mortgage Revenue Bond Program which provides funds for mortgage loans at competitive interest rates and a Downpayment Assistance Program to assist in the purchase of a home. MHDC's Affordable Housing programs include Section 8 certificates and vouchers, federal tenant-based assistance, MHDC's Rental Assistance Program, as well as several other Rental Assistance programs in partnership with the Department of Mental Health.

DEPARTMENT OF ECONOMIC DEVELOPMENT

AFFORDABLE HOUSING (Continued)

The Manufactured Housing Department is housed within the Public Service Commission per Sections 700.010-700.115, RSMo. It annually registers manufacturers and dealers of manufactured homes and modular units; prescribes and enforces uniform construction standards for manufactured homes, modular units, and recreational vehicles manufactured and/or sold within the state; approves plans for modular units and recreational vehicles sold in the state; and enforces manufactured home tie-down requirements. There are 3,779 manufactured housing dealers and 13 modular unit dealers operating in Missouri.

Fiscal Year 2004 Governor's Recommendations

- \$14,076 other funds for pay plan.
- (\$41,064) other funds and (two) staff in core reduction from the Fiscal Year 2003 appropriation level.

FINANCIAL INSTITUTION SAFETY AND SOUNDNESS

Division of Credit Unions – The Division of Credit Unions is statutorily responsible for the examination, supervision, and regulation of all state-chartered credit unions to determine the financial condition and management practices of each credit union and to correct unsound practices or violation of law or regulation.

Division of Finance – The Division of Finance has regulatory oversight authority of activities involving state-chartered banks and trust companies. The division also is responsible for licensing and regulating small loan offices, motor vehicle offices, financial institution offices, companies engaged exclusively in second mortgage lending, premium finance companies, and companies selling money orders. Beginning in Fiscal Year 1995, the division took over the responsibilities of the former Division of Savings and Loan. The division now has regulatory oversight authority over savings and loan associations and registers mortgage loan brokers.

Fiscal Year 2004 Governor's Recommendations

- \$50,000 other funds for examination of a banking institution with a branch located in another state.
- \$18,267 other funds for pay plan.
- (\$50,000) other funds core reduction from the Fiscal Year 2003 appropriation level.
- (\$7,323) other funds for one-time expenditures.

MOTOR CARRIER AND RAILROAD SAFETY

The Division of Motor Carrier and Railroad Safety regulates the prices, routes, and services of motor carriers of household goods and passengers.

Fiscal Year 2004 Governor's Recommendations

- (\$3,958,647) federal and other funds and (72) staff transferred to the Missouri Department of Transportation.

DEPARTMENT OF ECONOMIC DEVELOPMENT

UTILITY REGULATION

Office of Public Counsel – The Office of the Public Counsel is involved in the legal, accounting, financial, and economic aspects of utility ratemaking and regulation. Lawyers and technical staff analyze utility rate increase requests to advocate consumer rights in testimony and cross-examination in hearings held before the Public Service Commission.

Public Service Commission – The Public Service Commission regulates the rates, finances, safety, and quality of service of private, investor-owned telephone, gas, electric, water and sewer utilities, and the safety of rural electric cooperatives and municipally-owned gas systems. The commission is divided into four sections: executive, administration, general counsel, and utility.

The executive section is responsible for certain legal and administrative activities supporting the commission's statutory responsibilities, including hearing cases and issuing reports and orders. In addition, policy planning and analysis functions are conducted by the executive section to promote more active participation in federal proceedings and to provide technical assistance to the commission.

The administration division is responsible for internal operational functions related to purchasing, monitoring expenditures, preparing annual assessments of regulated utility companies, personnel and staff services, and manufactured housing. The administration division also files all commission administrative rules with the Secretary of State, reports official hearings, files and distributes all commission orders, and inspects dealer lots and manufacturing facilities of mobile homes to ensure compliance with federal standards and state law.

The general counsel assists the commission through preparation and presentation of expert staff testimony and exhibits, cross-examination in administrative hearings held before the commission, and representation of the commission in court cases involving appeals. The general counsel represents the commission in all proceedings before the Federal Energy Regulatory Commission, the Federal Communications Commission, and the Nuclear Regulatory Commission. The general counsel also drafts rules and procedures of the commission and commission-sponsored legislation.

The utility section consists of two divisions: utility service and utility operations. The utility services section advises and testifies before the commission on rate cases, performs field compliance audits, performs financial analysis, and is responsible for accounting and handling consumer complaints. The utility operations section provides analyses on utility construction; operation; safety; capacity expansion; tariff review; and rate design for electric, gas, water and sewer, and telecommunications utilities.

Fiscal Year 2004 Governor's Recommendations

- \$26,192 for pay plan, including \$1,224 general revenue.

**DEPARTMENT OF ECONOMIC DEVELOPMENT
PROFESSIONAL REGISTRATION**

FINANCIAL SUMMARY

	FY 2002 EXPENDITURE	FY 2003 APPROPRIATION	GOVERNOR RECOMMENDS FY 2004
Administration	\$ 4,131,667	\$ 5,465,368	\$ 5,491,484
State Board of Accountancy	362,995	426,684	430,213
State Board of Architects, Engineers, and Land Surveyors	691,113	825,087	728,274
State Board of Barber Examiners	31,109	38,271	38,271
State Board of Chiropractic Examiners	113,724	151,052	151,052
State Board of Cosmetology	172,039	259,418	259,418
Missouri Dental Board	472,273	587,452	590,675
State Board of Embalmers and Funeral Directors	83,852	149,634	149,634
State Board of Registration for the Healing Arts	2,056,821	2,461,516	2,477,477
State Board of Nursing	1,557,132	1,812,988	1,825,054
State Board of Optometry	37,297	42,604	42,604
State Board of Pharmacy	802,869	814,467	1,218,560
State Board of Podiatric Medicine	9,820	21,681	21,681
Missouri Real Estate Commission	809,617	1,111,418	1,120,388
Missouri Veterinary Medical Board	82,608	111,096	111,096
DIVISIONAL TOTAL	\$ 11,414,936	\$ 14,278,736	\$ 14,655,881
PERSONAL SERVICE			
Board Funds	4,001,546	4,705,475	4,757,730
Professional Registration Fees Fund	2,637,532	2,885,143	2,923,469
EXPENSE AND EQUIPMENT			
Board Funds	3,281,723	4,107,893	4,406,667
Professional Registration Fees Fund	1,431,873	2,545,225	2,533,015
PROGRAM SPECIFIC DISTRIBUTION			
Board Funds			
Professional Registration Fees Fund	62,262	35,000	35,000
TOTAL	\$ 11,414,936	\$ 14,278,736	\$ 14,655,881
Board Funds	7,283,269	8,813,368	9,164,397
Professional Registration Fees Fund	4,131,667	5,465,368	5,491,484
Full-time equivalent employees	226.14	229.60	229.60

The Division of Professional Registration provides support services to 32 licensing agencies through various boards, commissions, committees, offices, and councils. Each conducts professional examinations, licenses qualified individuals, promotes legislation, publishes rules and regulations, and investigates complaints of misconduct of licensed members.

Fiscal Year 2004 Governor's Recommendations

ADMINISTRATION

- \$38,326 other funds for pay plan.
- (\$12,210) other funds for one-time expenditures.

STATE BOARD OF ACCOUNTANCY

- \$3,529 other funds for pay plan.

DEPARTMENT OF ECONOMIC DEVELOPMENT

PROFESSIONAL REGISTRATION (Continued)

STATE BOARD OF ARCHITECTS, PROFESSIONAL ENGINEERS, AND LAND SURVEYORS

- \$4,977 other funds for pay plan.
- (\$93,985) other funds core reduction from the Fiscal Year 2003 appropriation level.
- (\$7,805) other funds for one-time expenditures.

STATE BOARD OF BARBER EXAMINERS

Continue funding at the current level.

STATE BOARD OF CHIROPRACTIC EXAMINERS

Continue funding at the current level.

STATE BOARD OF COSMETOLOGY

Continue funding at the current level.

MISSOURI DENTAL BOARD

- \$3,223 other funds for pay plan.

STATE BOARD OF EMBALMERS AND FUNERAL DIRECTORS

Continue funding at the current level.

STATE BOARD OF REGISTRATION FOR THE HEALING ARTS

- \$15,961 other funds for pay plan.

STATE BOARD OF NURSING

- \$12,066 other funds for pay plan.

STATE BOARD OF OPTOMETRY

Continue funding at the current level.

STATE BOARD OF PHARMACY

- \$420,068 other funds for testing of pharmaceutical products, investigating entities that offer drugs via the Internet, and contracting for legal counsel and inspection services.
- \$3,529 other funds for pay plan.
- (\$19,504) other funds for one-time expenditures.

STATE BOARD OF PODIATRIC MEDICINE

Continue funding at the current level.

DEPARTMENT OF ECONOMIC DEVELOPMENT

PROFESSIONAL REGISTRATION (Continued)

MISSOURI REAL ESTATE COMMISSION

- \$8,970 other funds for pay plan.

MISSOURI VETERINARY MEDICAL BOARD

Continue funding at the current level.

ADMINISTRATIVE SERVICES

Administrative Services coordinates the common activities of encouraging economic development. It also protects and promotes the interests of Missouri citizens, provides support services to the agencies, and monitors fund accountability and program activities.

Fiscal Year 2004 Governor's Recommendations

- \$594,248 and five staff for the Department of Economic Development Regional Focus and Tax Credit Accountability Program, funded by savings from tax credit revisions.
- \$25,030 for pay plan, including \$6,171 general revenue.
- \$251,010 federal funds and three staff transferred from the Department of Elementary and Secondary Education.
- \$1,800 transferred from the statewide leasing budget.
- (\$219,529) and (six) staff in core reduction from the Fiscal Year 2003 appropriation level, including (\$154,261) general revenue.

DEPARTMENT OF INSURANCE

FINANCIAL SUMMARY

	FY 2002 EXPENDITURE	FY 2003 APPROPRIATION	FY 2004 REQUEST	GOVERNOR RECOMMENDS FY 2004
Administration	\$ 6,096,497	\$ 6,940,784	\$ 6,776,684	\$ 6,797,626
Market Conduct and Financial Examinations	6,502,370	7,429,506	7,429,506	7,450,180
Refunds	79,739	25,001	25,001	25,001
Health Insurance Counseling	400,000	450,000	450,000	450,000
DEPARTMENTAL TOTAL	\$ 13,078,606	\$ 14,845,291	\$ 14,681,191	\$ 14,722,807
Federal Funds	400,000	450,000	450,000	450,000
Insurance Examiners Fund	6,510,138	7,429,507	7,429,507	7,450,181
Department of Insurance Dedicated Fund	6,168,468	6,965,784	6,801,684	6,822,626
Full-time equivalent employees	216.99	226.50	226.50	226.50

POLICY SUMMARY

Governor Holden's budget for Fiscal Year 2004 includes a total of \$14.7 million for the Department of Insurance to protect Missouri consumers and provide oversight of the insurance industry. By promoting a competitive marketplace, the department helps to ensure affordable insurance is available to Missourians. The department's outreach and education program is designed to assist consumers in making informed purchasing decisions. In-depth analysis of market trends, complaint information, and financial statements help target the department's examination of insurance companies to ensure the maximum effectiveness of state resources.

A weakened economy and considerable growth in mandatory programs like Medicaid has resulted in the most significant challenge the state has faced since the Depression. The Fiscal Year 2004 budget includes substantial core reductions. However, the budget also recognizes that the state cannot cut its way out of the current fiscal problems without severely reducing essential services provided to Missourians. General revenue budget increases have been limited to mandatory programs. Governor Holden's priorities are protecting the state's investment in education and ensuring that our most vulnerable citizens – children, the elderly, and disabled – are shielded to the greatest extent possible from budget reductions.

Some performance measures the Department of Insurance uses to evaluate the availability and affordability of insurance for Missouri consumers follow:

	1999	2000	2001
Percentage of Missourians (non-elderly) with health insurance	90.4%	88.0%	88.4%
Amount recovered for consumers over disputed claims (millions)	\$8.8	\$7.4	\$12.6
CLAIM program recoveries for Missouri seniors	\$330,202	\$1,000,000	\$982,000
Missouri versus nationwide premiums paid to claims paid for:			
workers' compensation insurance*	-1.5%	+5.2%	-10.2%
all property and casualty lines*	-2.2%	-2.0%	+6.1%
all accidental and health lines*	+0.8%	+0.03%	+1.7%

*Negative number indicates Missouri has a better rate than the national average.

Fiscal Year 2004 Governor's Recommendations

- \$41,616 other funds for pay plan.
- \$900 other funds for transfer in of parking leases from the Office of Administration.
- (\$165,000) other funds for one-time computer programming costs related to the implementation of provisions contained in SB 193 (2001).

DEPARTMENT OF LABOR AND INDUSTRIAL RELATIONS

FINANCIAL SUMMARY

	FY 2002 EXPENDITURE	FY 2003 APPROPRIATION	FY 2004 REQUEST	GOVERNOR RECOMMENDS FY 2004
Department Administration	\$ 17,364,962	\$ 20,819,296	\$ 20,646,602	\$ 20,580,119
Industrial Commission	823,352	895,870	896,630	895,508
Division of Labor Standards	2,455,030	3,288,026	3,284,226	3,164,013
Governor's Council on Disability	2,232,352	3,939,351	3,939,351	3,814,700
State Board of Mediation	143,085	159,522	159,522	157,746
Commission on Human Rights	1,844,265	2,128,845	2,159,656	1,971,817
Division of Workers' Compensation	61,462,867	51,495,452	77,153,934	77,197,992
Division of Employment Security	33,351,290	46,801,553	46,801,553	46,986,929
DEPARTMENTAL TOTAL	\$ 119,677,203	\$ 129,527,915	\$ 155,041,474	\$ 154,768,824
General Revenue Fund	3,805,756	4,150,741	4,181,552	3,648,054
Federal Funds	50,178,908	67,397,547	67,607,680	67,823,128
Deaf Relay Service and Equipment				
Distribution Program Fund	1,176,934	2,655,014	2,655,014	2,655,540
Tort Victims' Compensation Fund	0	46,267	3,056,556	3,056,556
Workers' Compensation Fund	12,998,612	13,466,526	13,109,025	13,152,656
Second Injury Fund	45,265,662	35,000,000	56,750,000	56,750,000
Crime Victims' Compensation Fund	5,381,104	5,111,251	5,981,078	5,982,321
Child Labor Enforcement Fund	51,492	200,000	200,000	200,000
Special Employment Security Fund	818,735	1,500,569	1,500,569	1,500,569
Full-time equivalent employees	1,119.45	1,309.27	1,306.27	1,287.77

POLICY SUMMARY

The Department of Labor and Industrial Relations provides employees with safe and healthy workplaces to ensure economic security for all Missourians. The department fulfills its mission by promoting equal access to jobs, enforcing anti-discrimination laws, and awarding payment of compensation to those who are unemployed, injured at work, and victims of crime.

A weakened economy and considerable growth in mandatory programs like Medicaid has resulted in the most significant challenge the state has faced since the Depression. The Fiscal Year 2004 budget includes substantial core reductions. However, the budget also recognizes that the state cannot cut its way out of the current fiscal problems without severely reducing essential services provided to Missourians. General revenue budget increases have been limited to mandatory programs. Governor Holden's priorities are protecting the state's investment in education and ensuring that our most vulnerable citizens – children, the elderly, and disabled – are shielded to the greatest extent possible from budget reductions.

Improving Workplace Safety: The Department of Labor and Industrial Relations' safety and health programs benefit Missouri's small business employers and mine operators. By removing or controlling identified safety and health hazards in the workplace, employers can expect savings resulting from fewer lost workdays, improved productivity, increased worker morale, reduced workers' compensation and medical costs, and lower Occupational Safety and Health Administration (OSHA) fines and litigation. The cost savings that result from controlling safety and health hazards reduces workers' compensation premium costs. To continue to promote safe and healthy workplaces, Governor Holden recommends:

- No core reductions to the Division of Labor Standards On-site Consultation Program. This will further guarantee that Missouri employers and employees reap the benefits of safe and healthy workplaces.

DEPARTMENT OF LABOR AND INDUSTRIAL RELATIONS

POLICY SUMMARY (Continued)

Some of the performance measures the Department of Labor and Industrial Relations uses to monitor its success in making workplaces safe for Missouri's employers and employees follow:

	2000	2001	2002
Number of job-related accidents, illnesses, and fatalities	163,540	165,698	155,333
Amount of unemployment benefits returned to the economy (millions)	\$318.7	\$414.1	\$644.3
Amount of fines avoided by Missouri businesses (millions)	\$2.4*	\$3.1	\$3.6

**In 2000 OSHA/MSHA (Mine Safety Health Administration) decreased the average dollar fine per hazard*

Improving Financial Security of Missourians: The Department of Labor and Industrial Relations, through the Division of Workers' Compensation, works to ensure that uncompensated tort victims, which are individuals who have won a civil case but did not receive an award, receive benefits. Missouri citizens who have been victims should not bear the financial burden of paying for medical treatment, psychological counseling, funeral services, or lost wages directly related to the tort action. Governor Holden recommends:

- \$3,000,000 to begin payments to uncompensated victims of unpaid court-ordered settlements.

DEPARTMENT OF LABOR AND INDUSTRIAL RELATIONS

DEPARTMENT ADMINISTRATION

The Director's Office provides leadership and supervision in the areas of policy, operation, and interagency coordination/cooperation. Functions centralized within the Director's Office include: administrative services, data processing, facilities and maintenance, financial management, human resources, legislative and public relations, research and analysis, telecommunications, legal, and fraud detection and investigation.

Fiscal Year 2004 Governor's Recommendations

- \$25,582 for pay plan, including \$2,351 general revenue.
- (\$263,999) and (11) staff in core reduction from the Fiscal Year 2003 appropriation level, including (\$92,065) general revenue.
- (\$760) reallocated to the Industrial Commission.

INDUSTRIAL COMMISSION

The three-member Labor and Industrial Commission reviews all appeals from all decisions and awards in workers' compensation, unemployment compensation, prevailing wage cases, and victims of crime compensation cases at the highest administrative level. The commission conducts hearings and renders written opinions pursuant to the provisions of the Missouri Administrative Procedure Act. The commission's opinions are subject to review by the judiciary.

Fiscal Year 2004 Governor's Recommendations

- \$1,224 for pay plan, including \$23 general revenue.
- \$760 reallocated from the Administration Division.
- (\$2,346) core reduction from the Fiscal Year 2003 appropriation level.

DIVISION OF LABOR STANDARDS

State statutes require the Division of Labor Standards to assure the safety and health of Missouri workers. To reduce deaths and disabling injuries, staff conducts regular and special on-site inspections of businesses, industries, and commercial mines and caves. To ensure compliance with statutory provisions governing wage rates for public works projects, the division periodically surveys prevailing wage rates for laborers, mechanics, and other workers employed in the construction industry. The division conducts on-site inspections to assure compliance with Missouri's Child Labor Law. Also, the division provides training seminars for mine operators and miners. All miners, whether surface or underground, are required by federal law to complete a minimum number of hours in training before beginning work. The division provides on-site safety and health surveys to business and industrial facilities by qualified professional consultants to identify hazards and recommend means for eliminating them. Private employers are not charged for this service. The division performs these surveys upon employer requests.

Fiscal Year 2004 Governor's Recommendations

- \$8,568 for pay plan, including \$5,938 general revenue.
- (\$128,781) and (three) staff in core reduction from the Fiscal Year 2003 appropriation level.
- (\$3,800) federal funds for one-time expenditures.

DEPARTMENT OF LABOR AND INDUSTRIAL RELATIONS

GOVERNOR'S COUNCIL ON DISABILITY

The Governor's Council on Disability encourages statewide interest in the rehabilitation and employment of people with disabilities. The council works in cooperation with the President's Committee on Employment of People with Disabilities and with local committees and chapters to promote job opportunities for disabled persons.

Fiscal Year 2004 Governor's Recommendations

- \$2,448 for pay plan, including \$801 general revenue.
- (\$127,099) core reduction from the Fiscal Year 2003 appropriation level.

STATE BOARD OF MEDIATION

State law authorizes the Board of Mediation to mediate public utility labor disputes so that employers and union employees can settle disputes peacefully without strikes or lockouts. If direct mediation fails to settle a dispute, the board may appoint a public hearing panel to hear the dispute again and prepare a report and recommendations to the parties and the Governor for settlement. The board also has statutory authority to provide a forum where representatives from management and labor in the public sector may meet and where bargaining disputes may be heard impartially and equitably. In addition, public employees are permitted the right to vote for or against unionization through elections. The board is responsible for conducting and certifying the results of each election and for determining the majority representative status of public sector bargaining units.

Fiscal Year 2004 Governor's Recommendations

- \$1,224 for pay plan.
- (\$3,000) core reduction from the Fiscal Year 2003 appropriation level.

MISSOURI COMMISSION ON HUMAN RIGHTS

The Missouri Commission on Human Rights works to ensure fair treatment for all Missourians regardless of their race, color, religion, national origin, ancestry, sex, disability, or age. The commission receives, investigates, and renders findings on complaints of discrimination in housing, employment, and public accommodations. The commission is also responsible for fostering good will among diverse groups through education and outreach.

Fiscal Year 2004 Governor's Recommendations

- \$6,487 for pay plan, including \$3,782 general revenue.
- \$30,811 transferred from the statewide leasing budget.
- (\$194,326) and (4.5) staff in core reduction from the Fiscal Year 2003 appropriation level.

**DEPARTMENT OF LABOR AND INDUSTRIAL RELATIONS
DIVISION OF WORKERS' COMPENSATION**

FINANCIAL SUMMARY

	FY 2002 EXPENDITURE	FY 2003 APPROPRIATION	GOVERNOR RECOMMENDS FY 2004
Administration	\$ 9,426,961	\$ 9,780,985	\$ 9,533,525
Second Injury Benefits	45,265,662	35,000,000	56,500,000
Second Injury Fund Refunds	0	0	250,000
Crime Victims' Administration	303,931	414,467	414,467
Crime Victims' Compensation Benefits	6,466,313	6,300,000	7,500,000
Tort Victims Compensation Payments	0	0	3,000,000
DIVISIONAL TOTAL	\$ 61,462,867	\$ 51,495,452	\$ 77,197,992
PERSONAL SERVICE			
Tort Victims' Compensation Fund	0	36,012	41,556
Workers' Compensation Fund	7,682,443	8,131,202	7,940,521
Crime Victims' Compensation Fund	223,006	284,509	285,752
EXPENSE AND EQUIPMENT			
Federal Funds	0	50,000	50,000
Tort Victims' Compensation Fund	0	10,255	15,000
Workers' Compensation Fund	1,660,497	1,501,178	1,432,867
Second Injury Fund	509,388	380,341	393,866
Crime Victims' Compensation Fund	84,208	101,558	101,558
PROGRAM SPECIFIC DISTRIBUTION			
Federal Funds	1,533,538	1,730,549	2,054,359
Tort Victims' Compensation Fund	0	0	3,000,000
Workers' Compensation Fund	50,000	50,000	50,000
Second Injury Fund	44,756,274	34,619,659	56,356,134
Crime Victims' Compensation Fund	4,963,513	4,600,189	5,476,379
TOTAL	\$ 61,462,867	\$ 51,495,452	\$ 77,197,992
Federal Funds	1,533,538	1,780,549	2,104,359
Tort Victims' Compensation Fund	0	46,267	3,056,556
Workers' Compensation Fund	9,392,940	9,682,380	9,423,388
Second Injury Fund	45,265,662	35,000,000	56,750,000
Crime Victims' Compensation Fund	5,270,727	4,986,256	5,863,689
Full-time equivalent employees	178.35	188.75	185.75

ADMINISTRATION

The Division of Workers' Compensation processes all reports of job-related injuries and formal complaints filed under the Workers' Compensation Act. The division adjudicates disputed claims, supervises rehabilitation of seriously injured workers, helps develop safety programs, and investigates and approves applications by employers for self-insurance. The Missouri Worker Safety Program was merged with the Workers' Compensation Administration in Fiscal Year 1995.

Fiscal Year 2004 Governor's Recommendations

- \$44,058 other funds for pay plan.
- (\$153,566) other funds for one-time expenditures.
- (\$137,952) other funds and (three) staff in core reduction from the Fiscal Year 2003 appropriation level.

**DEPARTMENT OF LABOR AND INDUSTRIAL RELATIONS
DIVISION OF WORKERS' COMPENSATION**

SECOND INJURY BENEFITS

The second injury fund, as established in Section 287.220, RSMo provides workers' compensation benefits for injured employees who have pre-existing permanent partial disabilities. The fund may also be used to cover expenses of an employee who was injured while working for an uninsured employer, or to compensate workers for lost wages from one job when they are injured while working at a second job.

Fiscal Year 2004 Governor's Recommendations

- \$21,500,000 other funds for increased payments.
- \$250,000 other funds transferred from the Department of Revenue for refunding excess deposits to the second injury fund.

CRIME VICTIMS' ADMINISTRATION

The Crime Victims' Administration Unit was established to investigate all claims by victims of crime, which are filed with the division in order to determine eligibility under the statute and the amount of losses incurred. The unit fulfills these responsibilities by processing and investigating claims and awarding or denying compensation.

Fiscal Year 2004 Governor's Recommendations

Continue funding at the current level.

CRIME VICTIMS' COMPENSATION BENEFITS

The crime victims' compensation fund, established in Section 595.045, RSMo provides compensation to individuals who suffer financial loss as the result of a crime. Revenues are provided to the fund from fees assessed by the courts on individuals found guilty of violations of law.

Fiscal Year 2004 Governor's Recommendations

- \$1,200,000 federal and other funds for increased Crime Victims' Compensation payments.

TORT VICTIMS' COMPENSATION BENEFITS

Seventy-four percent of the tort victims' fund, established in Section 537.675, RSMo is to be used for financial assistance to persons who have won a civil case but have not received any benefits.

Fiscal Year 2004 Governor's Recommendations

- \$3,000,000 tort victims' fund for payments to tort victims.

**DEPARTMENT OF LABOR AND INDUSTRIAL RELATIONS
DIVISION OF EMPLOYMENT SECURITY**

FINANCIAL SUMMARY

	FY 2002 EXPENDITURE	FY 2003 APPROPRIATION	GOVERNOR RECOMMENDS FY 2004
Administration	\$ 27,634,448	\$ 36,420,984	\$ 36,606,360
Special Employment Security Fund	698,735	1,380,569	1,380,569
Employment and Training Payments	5,018,107	9,000,000	9,000,000
DIVISIONAL TOTAL	\$ 33,351,290	\$ 46,801,553	\$ 46,986,929
PERSONAL SERVICE			
Federal Funds	20,968,297	27,797,496	27,982,872
Special Employment Security Fund	0	100,569	100,569
EXPENSE AND EQUIPMENT			
Federal Funds	6,666,151	8,623,488	8,623,488
Special Employment Security Fund	698,735	1,280,000	1,280,000
PROGRAM SPECIFIC DISTRIBUTION			
Federal Funds	5,018,107	9,000,000	9,000,000
TOTAL	\$ 33,351,290	\$ 46,801,553	\$ 46,986,929
Federal Funds	32,652,555	45,420,984	45,606,360
Special Employment Security Fund	698,735	1,380,569	1,380,569
Full-time equivalent employees	649.40	795.28	795.28

ADMINISTRATION

The Division of Employment Security is responsible for determining employer liability, collecting unemployment compensation taxes from Missouri liable employers, paying unemployment benefits to eligible claimants, maintaining wage records of Missouri workers, and investigating cases involving possible fraud and benefit overpayments.

Fiscal Year 2004 Governor's Recommendations

- \$185,376 federal funds for pay plan.

SPECIAL EMPLOYMENT SECURITY FUND

The special employment security fund is derived from interest and penalties collected under the provisions of the Missouri Employment Security Law. Expenditures from this fund are made in accordance with Section 288.310, RSMo the Employment Security Law, which includes refunds of overcollected interest and penalties. The fund may also be used to acquire suitable office space for the division. Section 288.129, RSMo provides for federal interest payments on federal fund advances to the unemployment trust fund.

Fiscal Year 2004 Governor's Recommendations

Continue funding at the current level.

EMPLOYMENT AND TRAINING PAYMENTS

The Division of Employment Security operates employment and training programs authorized and funded by the U.S. Department of Labor as authorized by the North American Free Trade Agreement (NAFTA) and the Trade Adjustment Assistance (TAA) programs. The division contracts with the Division of Workforce Development and others to provide a full range of services. Services include referral to employer job openings, job readiness skills training, referral to classroom or employer training, as well as payment of support services such as transportation, subsistence, and relocation allowances.

Fiscal Year 2004 Governor's Recommendations

Continue funding at the current level.

DEPARTMENT OF PUBLIC SAFETY

FINANCIAL SUMMARY

	FY 2002 EXPENDITURE	FY 2003 APPROPRIATION	FY 2004 REQUEST	GOVERNOR RECOMMENDS FY 2004
Office of the Director	\$ 32,823,942	\$ 43,764,928	\$ 44,618,120	\$ 44,243,936
Capitol Police	1,474,010	1,955,825	2,041,009	2,054,473
State Highway Patrol	145,900,692	178,630,859	183,200,052	182,592,011
State Water Patrol	5,520,204	6,337,390	6,337,390	6,357,892
Division of Liquor Control	3,434,429	3,948,782	4,184,446	3,670,522
Division of Fire Safety	2,567,685	2,972,427	3,147,341	2,734,228
Division of Highway Safety	6,617,405	22,168,406	20,422,406	0
Missouri Veterans' Commission	52,393,026	46,756,420	55,489,130	56,138,316
Missouri Gaming Commission	16,301,805	20,688,695	20,622,814	20,645,458
Adjutant General	52,596,839	35,441,547	36,264,465	33,473,141
DEPARTMENTAL TOTAL	\$ 319,630,037	\$ 362,665,279 *	\$ 376,327,173	\$ 351,909,977
General Revenue Fund	42,235,016	46,970,334	49,521,132	45,385,500
Federal Funds	82,496,343	106,557,433	108,542,477	87,007,207
Gaming Commission Fund	17,038,935	21,811,082	21,749,666	21,769,470
Missouri Veterans' Homes Fund	33,378,457	35,381,008	44,074,450	44,952,165
State Highways and Transportation				
Department Fund	111,363,472	119,859,176	122,291,507	121,396,706
Other Funds	33,117,814	32,086,246	30,147,941	31,398,929
Full-time equivalent employees	4,432.31	4,616.39	4,886.68	4,789.97

* Does not include \$448,994 recommended in Fiscal Year 2003 Supplemental Appropriations. See the Supplemental section of the Missouri Budget for details regarding Department of Public Safety supplemental appropriations.

POLICY SUMMARY

The Department of Public Safety is charged with protecting the people of Missouri from crime and other dangers. To fulfill this vital mission, the department performs critical duties including crime prevention, law enforcement, and disaster mitigation and response. The department operates on land, water, and by air on an around-the-clock basis. Governor Holden's Fiscal Year 2004 budget focuses new funding to enhance the ability of the department to fulfill its mission effectively and efficiently.

A weakened economy and considerable growth in mandatory programs like Medicaid has resulted in the most significant challenge the state has faced since the Depression. The Fiscal Year 2004 budget includes substantial core reductions. However, the budget also recognizes that the state cannot cut its way out of the current fiscal problems without severely reducing essential services provided to Missourians. General revenue budget increases have been limited to mandatory programs. Governor Holden's priorities are protecting the state's investment in education and ensuring that our most vulnerable citizens – children, the elderly, and disabled – are shielded to the greatest extent possible from budget reductions.

HOMELAND SECURITY: The Department of Public Safety is part of a statewide effort to enhance the security of the state's most vital assets. To that end, many department efforts in this and the coming fiscal year will focus on threat assessment, asset protection, and emergency response preparedness. The Fiscal Year 2004 budget of the Department of Public Safety includes:

- \$975,152 federal funds and 37 staff to support and secure National Guard facilities.
- \$223,200 federal funds to develop a disaster recovery plan for the Highway Patrol's mainframe computer system, networks, and data files in the event of a man-made or natural disaster.
- \$104,899 for contract security personnel to safeguard vital assets in the Capitol Complex.

DEPARTMENT OF PUBLIC SAFETY

POLICY SUMMARY (Continued)

CRIME FIGHTING EFFORTS: While we have made major strides in reducing crime in Missouri, crime remains a problem. Governor Holden is committed to making sure the state meets its fundamental obligation to protect citizens from criminals. The Governor recommends the following Fiscal Year 2004 budget initiatives to equip law enforcement agencies and provide assistance to victims of crime.

- \$10,438,000 federal funds for computer-aided dispatching enhancements and to improve the availability of criminal history information to state and local criminal justice agencies.
- \$566,000 crime victims' compensation fund for maintenance of the state's new automated victim notification system to inform crime victims and their local communities of the status of offenders.
- \$235,664 federal funds to enhance state and local efforts to curb underage drinking and encourage responsible practices among businesses that sell liquor.
- \$210,000 federal funds to improve the forensic science services provided by the state's crime labs and medical examiners.
- \$200,000 federal funds to replace two of the Highway Patrol Crime Lab's gas chromatograph and mass spectrometers used in drug chemistry and toxicology analysis.
- \$125,000 federal funds for local law enforcement block grants to assist local law enforcement agencies.

CARING FOR MISSOURI VETERANS: Missourians have served with distinction in the armed forces of our nation, placing their lives at risk in order to preserve our freedom. Governor Holden recognizes the special debt owed to these guardians of liberty. The Fiscal Year 2004 budget includes additional resources to expand services provided by the Missouri Veterans' Commission, including:

- \$4,347,401 veterans' homes fund and 124.53 staff for resident care services in the St. Louis Home.
- \$3,240,210 veterans' homes fund and 110.51 staff for resident care services in the Mt. Vernon Home.
- \$952,225 veterans' homes fund for pharmaceuticals and related services.
- \$111,034 veterans' commission capital improvement trust fund and two staff for the new veterans' cemetery at Bloomfield.
- \$89,934 veterans' commission capital improvement trust and two staff for the new veterans' cemetery at Jacksonville.

ENSURING ACCOUNTABILITY IN THE STATE'S USE OF HIGHWAY FUNDS: The Fiscal Year 2004 budget will redirect state highways and transportation department funds from the Highway Patrol to the Department of Transportation for road construction and maintenance. Governor Holden recommends:

- \$2,533,868 general revenue to replace state highways and transportation department funds to ensure such funds are used only for purposes expressly authorized by law.

Some performance measures the Department of Public Safety uses to evaluate the degree to which veterans' home residents are satisfied with the quality of care provided follow:

	2000	2001	2002
Resident-satisfaction survey			
– St. James Home	85.1%	86.4%	90.8%
– Mexico Home	83.8%	84.3%	86.9%
– Mt. Vernon Home	95.6%	95.1%	91.8%
– St. Louis Home	82.1%	88.2%	78.2%
– Cameron Home	91.1%	88.0%	92.2%
– Cape Girardeau Home	94.3%	90.5%	90.7%
– Warrensburg Home	N/A	90.4%	86.6%

DEPARTMENT OF PUBLIC SAFETY

OFFICE OF THE DIRECTOR/CRIMINAL JUSTICE PROGRAMS UNIT

The Director's Office provides the central budgeting, finance, and personnel control to ensure efficient use of available resources. Staff members plan, review, and evaluate programs to coordinate the state's public safety and law enforcement efforts and to promote cooperation among local, state, and federal agencies. In addition, the criminal justice programs unit oversees the implementation of programs relating to juvenile justice, domestic violence, peace officers standards, witness protection, forensic laboratories, narcotics control, and crime victims assistance.

Fiscal Year 2004 Governor's Recommendations

- \$566,000 crime victims' compensation fund for maintenance of the state's new automated victim notification system to inform crime victims and their local communities of the status of offenders.
- \$210,000 federal funds to improve the forensic science services provided by the state's crime labs and medical examiners.
- \$125,000 federal funds for local law enforcement block grants.
- \$65,012 federal funds and one staff to perform federally required monitoring of juvenile justice detention centers and federal juvenile justice grants.
- \$9,179 federal and other funds for pay plan, including \$7,082 general revenue.
- \$1,425 transferred from statewide leasing.
- (\$383,363) and (4.78) staff core reduction from the Fiscal Year 2003 appropriation level, including (\$360,330) general revenue and (3.92) staff.
- (\$114,245) crime victims' compensation fund core reduction for one-time expenditures.

CAPITOL POLICE

The Capitol Police are responsible for security at the Capitol and other facilities occupied by state agencies throughout Jefferson City.

Fiscal Year 2004 Governor's Recommendations

- \$104,899 for contract security personnel to safeguard vital assets in the Capitol Complex.
- \$13,464 for pay plan.
- (\$19,715) core reduction for one-time expenditures, including (\$1,474) general revenue.

HIGHWAY PATROL

ADMINISTRATION

This section includes the administrative, planning, fiscal, and support activities of the Highway Patrol.

Fiscal Year 2004 Governor's Recommendations

- \$623,489 and eight staff to replace state highways and transportation department funds.
- \$79,475 for hazardous materials equipment maintenance and employee health screenings, including \$21,800 general revenue.
- \$53,595 state highways and transportation department fund for employee and applicant drug screenings.
- \$1,205,985 state highways and transportation department fund and 27 staff reallocated from other Highway Patrol divisions.
- (\$623,489) state highways and transportation fund and (eight) staff core reduction from the Fiscal Year 2003 appropriation level.
- (\$25,000) state highways and transportation department fund core reduction for one-time expenditures.

FRINGE BENEFITS

Employer retirement contributions, health insurance, and workers' compensation insurance for Highway Patrol employees are paid by the state in a separate appropriation made for those purposes. The amount of the retirement payment is determined by the Board of Trustees of the Highway Employees' and Highway Patrol Retirement System.

Fiscal Year 2004 Governor's Recommendations

- \$4,750,919 for rate increases, including \$442,885 general revenue.
- \$483,863 to replace state highways and transportation department funds for current employee fringe benefits.
- \$337,571 other funds to replace general revenue funds for current employee fringe benefits.
- \$127,612 state highways and transportation department fund for new employee fringe benefits.
- (\$1,715,071) core reduction from the Fiscal Year 2003 appropriation level, including (\$421,171) general revenue.

DEPARTMENT OF PUBLIC SAFETY

HIGHWAY PATROL (Continued)

ENFORCEMENT

The primary activity of this section is the patrolling of more than 122,000 miles of public highways and thoroughfares to ensure the safe and orderly flow of traffic. The Patrol also performs undercover investigations, analyzes evidence discovered at crime scenes, assists local law enforcement agencies, provides access to the Missouri Uniform Law Enforcement System, performs criminal background checks, and maintains a statewide system of commercial motor vehicle weigh stations.

Fiscal Year 2004 Governor's Recommendations

- \$757,049 criminal record system fund and 23 staff to replace general revenue funds.
- \$745,000 to replace state highways and transportation department funds.
- \$330,500 highway patrol vehicle revolving fund for aircraft maintenance.
- \$200,000 federal funds for replacement of two gas chromatographs for drug chemistry and toxicology.
- \$125,000 federal funds to train commercial vehicle enforcement officers, maintain and repair radiological monitors, and pay for costs of notifying commercial carriers of failures to comply with safety regulations.
- \$91,000 federal funds to provide ongoing support and improvement of the statewide traffic accident records system.
- \$74,540 state highways and transportation department fund and 1.50 staff to replace expiring federal funding for crime lab toxicologists.
- \$100,769 reallocated from other Highway Patrol divisions, including \$34,348 general revenue.
- \$16,400 state highways and transportation department fund transferred from statewide leasing.
- (\$1,777,109) and (36.25) staff core reduction from the Fiscal Year 2003 appropriation level, including (\$1,032,109) general revenue and (23) staff.
- (\$1,372,255) other funds and (23.50) staff reallocated to other Highway Patrol divisions.
- (\$1,299,558) federal and other funds and (1.50) staff core reduction for one-time expenditures.

LAW ENFORCEMENT ACADEMY

The academy provides basic training to police officers in all agencies outside St. Louis and Jackson counties. The academy also provides administrative and specialized training to police officers from all counties.

Fiscal Year 2004 Governor's Recommendations

- \$134,319 highway patrol academy fund and five staff to replace general revenue funds.
- \$125,568 and three staff to replace state highways and transportation department funds.
- \$411,976 for pay plan, including \$40,458 general revenue.
- \$318,077 state highways and transportation department fund and 0.50 staff reallocated from other Highway Patrol divisions.
- (\$259,887) and (8.50) staff core reduction from the Fiscal Year 2003 appropriation level, including (\$134,319) general revenue and (five) staff.
- (\$80,220) reallocated to other Highway Patrol divisions, including (\$45,269) general revenue.

VEHICLE AND DRIVER SAFETY

This section evaluates drivers and vehicles to identify and remove those unfit to be on Missouri roadways. Over 4,900 inspection stations and approximately 23,300 inspector mechanics throughout the state are supervised. The section also maintains over 140 driver examination stations throughout the state.

Fiscal Year 2004 Governor's Recommendations

- \$237,912 state highways and transportation department fund and eight staff for retesting the safety skills of commercial drivers' license holders.
- \$70,915 state highways and transportation department fund transferred from statewide leasing.
- (\$147,347) air pollution control fund core reduction from the Fiscal Year 2003 appropriation level.
- (\$118,542) state highways and transportation department fund and (four) staff reallocated to other Highway Patrol divisions.

DEPARTMENT OF PUBLIC SAFETY

HIGHWAY PATROL (Continued)

TECHNICAL SERVICES

This section develops and processes comprehensive criminal offender data, traffic record data, and administrative data. The database is used to respond to inquiries and for analysis of the criminal justice and traffic systems to plan for effective law enforcement. This section also operates the statewide Missouri Uniform Law Enforcement System (MULES).

Fiscal Year 2004 Governor's Recommendations

- \$10,438,000 federal funds for computer-aided dispatching enhancements and to improve the availability of criminal history information to state and local criminal justice agencies.
- \$555,948 and nine staff to replace state highways and transportation department funds.
- \$223,200 federal funds to develop a disaster recovery plan for the Highway Patrol's mainframe computer system.
- \$113,000 federal funds to improve security systems at the Highway Patrol's Jefferson City headquarters.
- \$3,877 other funds for pay plan.
- \$10,921 and one staff reallocated from other Highway Patrol divisions.
- (\$10,576,380) federal and other funds core reduction for one-time expenditures.
- (\$725,735) federal and other funds and (ten) staff core reduction from the Fiscal Year 2003 appropriation level, including (\$169,787) general revenue.
- (\$64,735) federal and other funds and (one) staff reallocated to other Highway Patrol divisions.

STATE WATER PATROL

The primary task of the State Water Patrol is to ensure that Missouri citizens and tourists enjoy state waterways in safety through enforcement of water safety laws. This is accomplished by patrolling 626,081 acres of recreational waters in the state. Water Patrol officers provide boating safety education, boat inspection services, and enforce state and federal laws relating to water safety. Water Patrol officers present safety programs to students and civic organizations, inspect boats, and investigate dock and buoy placements to prevent water hazards.

Fiscal Year 2004 Governor's Recommendations

- \$20,502 for pay plan, including \$19,754 general revenue.

DIVISION OF LIQUOR CONTROL

The Division of Liquor Control provides management control and support to the programs of audit and enforcement. The administrative staff review all license applications and reported violations, develop facts regarding reported violations in pre-hearing conferences and formal hearings before the supervisor, and, depending on the outcome of hearings, issue citations.

The audit and collection staff reviews beer, wine, and liquor transactions to ensure that all revenues due to the state are collected. The program also ensures fair competition among liquor wholesalers by monitoring actual prices charged for various classes and types of beverages against price schedules for such products.

The enforcement program ensures that liquor licenses are issued only to qualified applicants on approved premises. Liquor Control agents conduct inspections and investigate complaints received on violations of liquor laws. Reports are filed with local authorities and the supervisor of Liquor Control for review and appropriate action.

Fiscal Year 2004 Governor's Recommendations

- \$235,664 federal funds to enhance state and local efforts to curb underage drinking and encourage responsible practices among businesses that sell liquor.
- \$17,136 for pay plan, including \$16,680 general revenue.
- (\$531,060) and (9.35) staff core reduction from the Fiscal Year 2003 appropriation level.

DEPARTMENT OF PUBLIC SAFETY

DIVISION OF FIRE SAFETY

Division of Fire Safety staff conducts investigations to determine the causes of fires and explosions. Investigators assist in case development and, when necessary, work with local law enforcement authorities to prosecute persons accused of arson. Inspection activities concentrate on fire prevention evaluations. Inspectors evaluate nursing homes that are used for state mental health patients, patient care facilities operated by the Department of Mental Health, day care facilities licensed by the state, senior citizen nutrition and recreation centers, and other public facilities. The division also administers a Public Boiler and Pressure Vessel Safety Inspection Program, conducts fireworks industry inspections, and provides firefighter training throughout the state.

Fiscal Year 2004 Governor's Recommendations

- \$210,300 boiler and pressure vessel safety fund and five staff to replace general revenue fund.
- \$142,956 elevator safety fund and two elevator safety inspectors for St. Louis and Springfield.
- \$52,118 boiler and pressure vessel safety fund for one boiler inspector.
- \$7,344 for pay plan.
- (\$630,757) and (seven) staff core reduction from the Fiscal Year 2003 appropriation level.
- (\$20,160) elevator safety fund core reduction for one-time expenditures.

DIVISION OF HIGHWAY SAFETY

The division prepares a comprehensive state highway safety plan and funds state-local projects to implement the plan.

Fiscal Year 2004 Governor's Recommendations

- (\$20,088,887) federal and other funds and (ten) staff transferred to the Department of Transportation.
- (\$1,746,000) federal funds core reduction for one-time expenditures.
- (\$333,519) federal and other funds and (nine) staff core reduction from the Fiscal Year 2003 appropriation level.

MISSOURI VETERANS' COMMISSION

The commission has four components: administration, which oversees programs and maintains central files; the Missouri veterans' homes at St. James, Mexico, Mt. Vernon, Cape Girardeau, St. Louis, Cameron, and Warrensburg, which care for Missouri veterans; the Missouri veterans' cemeteries at Higginsville, Springfield, St. James, Jacksonville, and Bloomfield; and the Service to Veterans' Program, which assists veterans in applying for U.S. Veterans Administration pensions and other benefits.

Fiscal Year 2004 Governor's Recommendations

- \$4,347,401 veterans' homes fund and 124.53 staff for resident care services in the St. Louis Home.
- \$3,240,210 veterans' homes fund and 110.51 staff for resident care services in the Mt. Vernon Home.
- \$952,225 veterans' homes fund for pharmaceuticals and related services.
- \$389,795 veterans' homes fund and three staff to replace general revenue in the homes.
- \$111,034 veterans' commission capital improvement trust fund and two staff for the new veterans' cemetery at Bloomfield.
- \$89,934 veterans' commission capital improvement trust fund and two staff for the new veterans' cemetery at Jacksonville.
- \$75,000 veterans' homes fund for software for the newly expanded St. Louis and Mt. Vernon veterans' homes.
- \$65,394 veterans' homes fund for the replacement of washers and dryers at the St. Louis veterans' home.
- \$13,212 veterans' homes fund for the upgrade of computer circuits.
- \$649,186 other funds for pay plan, including \$148,061 general revenue.
- (\$389,795) and (three) staff core reduction from the Fiscal Year 2003 appropriation level.
- (\$161,700) other funds core reduction for one-time expenditures.

DEPARTMENT OF PUBLIC SAFETY

GAMING COMMISSION

Senate Bill 10 (1993) established the Gaming Commission, which was granted regulatory authority over riverboat gambling and bingo. The five members of the Gaming Commission are appointed by the Governor with the advice and consent of the Senate.

Fiscal Year 2004 Governor's Recommendations

- \$142,355 gaming commission fund for highway patrol fringe benefit increases.
- \$22,644 gaming commission fund for pay plan.
- (\$208,236) gaming commission fund core reduction for one-time expenditures.

ADJUTANT GENERAL

ADMINISTRATION

This section provides administrative support for the Missouri National Guard, including the functions of command communication, logistical assistance, finance, and budgeting. The Adjutant General is the military chief of staff to the commander-in-chief (Governor). The Adjutant General is also the administrative head of the military forces, which include Army and Air National Guard elements assigned to the state by the federal government.

Fiscal Year 2004 Governor's Recommendations

- \$284,949 and four staff reallocated from the State Emergency Management Agency.
- \$64,792 for pay plan.
- (\$212,013) and (three) staff reallocated to the State Emergency Management Agency.
- (\$136,181) and (5.20) staff core reduction from the Fiscal Year 2003 appropriation level.

NATIONAL GUARD TRUST FUND PROGRAM

HB 1519 (1998) established the Missouri National Guard Trust Fund and permitted income tax check-off contributions to be deposited in the fund. Grants, gifts, and bequests may also be deposited in the fund. In the absence of specific requirements attached to fund donations, the Office of the Adjutant General may, subject to appropriation, expend the funds for any lawful purpose in support of the Guard.

Fiscal Year 2004 Governor's Recommendations

Continue funding at the current level.

TUITION ASSISTANCE

In return for service to the state, the Missouri National Guard offers a variety of benefits for its members. The tuition assistance program provides reimbursement for higher education tuition and fees to Guard members who meet certain qualifications pursuant to law.

Fiscal Year 2004 Governor's Recommendations

Continue funding at the current level.

MILITARY HONORS PROGRAM

The Guard provides public recognition of the sacrifices made by veterans through the Military Honors Program, providing burial details with appropriate military honors for veterans upon request.

Fiscal Year 2004 Governor's Recommendations

- \$10,980 Missouri national guard trust fund for pay plan.

DEPARTMENT OF PUBLIC SAFETY

ADJUTANT GENERAL (Continued)

OPERATING MAINTENANCE AND REPAIR

The Missouri National Guard operates 63 armories and 629 buildings located throughout the state. These facilities require preventive maintenance. The operating maintenance and repair program allows maintenance staff to purchase materials and supplies to perform preventive care.

Fiscal Year 2004 Governor's Recommendations

Continue funding at the current level.

FIELD SUPPORT

The field support section supports the operational needs of Missouri National Guard facilities located throughout the state. This section includes maintenance and operation of 63 armories and 629 buildings in 66 Missouri communities.

Fiscal Year 2004 Governor's Recommendations

- \$56,168 for fuel and utilities expenses at expanded armory facilities in Maryville and Sedalia.
- (\$80,862) and (3.63) staff core reduction from the Fiscal Year 2003 appropriation level.

CONTRACT SERVICES

This section provides funding for contractual agreements between the federal and state government related to maintenance and security of National Guard installations.

Fiscal Year 2004 Governor's Recommendations

- \$975,152 federal funds and 37 staff to support and secure vital National Guard facilities.
- \$113,028 federal funds for pay plan.

CHALLENGE YOUTH PROGRAM

The Challenge Youth Program is an intensive, 22-week program designed to assist at-risk youth ages 17-19 to obtain GEDs and then move on to college or job opportunities.

Fiscal Year 2004 Governor's Recommendations

- (\$2,734,877) and (53.50) staff core reduction from the Fiscal Year 2003 appropriation level, including (\$1,009,470) general revenue and (21.40) staff.

TROUPERS TRAINING SCHOOL

The Missouri National Guard was selected in 1998 as a national "Center of Excellence" for training by the federal government. In this role, the Missouri National Guard administers a military software-training program for Guard members from all U.S. states and territories.

Fiscal Year 2004 Governor's Recommendations

- (\$39,521) and (2.25) staff core reduction from the Fiscal Year 2003 appropriation level.

OFFICE OF AIR SEARCH AND RESCUE

The Office of Air Search and Rescue provides emergency services utilizing the efforts of professionally trained pilots, communications specialists, and emergency support personnel. The office works in cooperation with state and federal agencies, the Civil Air Patrol, and public and private hospitals to provide emergency services, rescue operations, mercy missions, aerial observations, and emergency communications to anyone in immediate need of these specialized services.

Fiscal Year 2004 Governor's Recommendations

Continue funding at the current level.

DEPARTMENT OF PUBLIC SAFETY

ADJUTANT GENERAL (Continued)

STATE EMERGENCY MANAGEMENT AGENCY

The State Emergency Management Agency develops policies and procedures that help protect citizens in times of disaster. The agency is charged with the task of preparing and periodically updating plans to manage and control the state's resources in emergency situations. Once disaster strikes, the agency administers federal assistance to disaster areas and coordinates efforts to aid individuals, protect property, and restore essential utilities and structures. A state emergency operations center also is maintained to serve as the control center for state government should emergency situations arise.

Fiscal Year 2004 Governor's Recommendations

- \$11,322 for pay plan, including \$6,724 general revenue.
- \$212,013 and three staff reallocated from the Adjutant General.
- (\$284,949) and (four) staff reallocated to the Adjutant General.
- (\$208,402) core reduction for one-time expenditures, including (\$133,402) general revenue.
- (\$5) federal funds core reduction from the Fiscal Year 2003 appropriation level.

DEPARTMENT OF CORRECTIONS

FINANCIAL SUMMARY

	FY 2002 EXPENDITURE	FY 2003 APPROPRIATION	FY 2004 REQUEST	GOVERNOR RECOMMENDS FY 2004
Office of the Director	\$ 97,976,733	\$ 112,956,692	\$ 83,724,815	\$ 82,794,455
Division of Human Services	8,900,195	10,331,237	12,838,925	12,539,316
Division of Adult Institutions	217,339,565	221,770,676	273,224,374	270,276,271
Division of Offender Rehabilitative Services	91,299,274	142,059,648	144,914,182	144,566,190
Board of Probation and Parole	76,645,806	78,656,209	79,127,492	79,241,501
DEPARTMENTAL TOTAL	\$ 492,161,573	\$ 565,774,462	\$ 593,829,788	\$ 589,417,733
General Revenue Fund	460,224,624	512,349,786	542,029,430	537,527,996
Federal Funds	6,724,334	10,597,219	8,972,901	8,972,901
Working Capital Revolving Fund	21,313,981	38,267,445	38,267,445	38,356,347
Inmate Revolving Fund	3,815,769	4,212,912	4,212,912	4,213,389
Crime Victims' Compensation Fund	82,500	82,500	82,500	82,500
Correctional Substance Abuse Earnings Fund	365	264,600	264,600	264,600
Full-time equivalent employees	10,490.74	10,696.43	12,136.43	12,136.43

POLICY SUMMARY

The Governor recommends \$589,417,733 to meet the Department of Corrections' obligations in the criminal justice system and provide appropriate incarceration, supervision, and treatment for offenders.

A weakened economy and considerable growth in mandatory programs like Medicaid has resulted in the most significant challenge the state has faced since the Depression. The Fiscal Year 2004 budget includes substantial core reductions. However, the budget also recognizes that the state cannot cut its way out of the current fiscal problems without severely reducing essential services provided to Missourians. General revenue budget increases have been limited to mandatory programs. Governor Holden's priorities are protecting the state's investment in education and ensuring that our most vulnerable citizens – children, the elderly, and disabled – are shielded to the greatest extent possible from budget reductions.

INCREASING CAPACITY AND EFFICIENCY IN MISSOURI'S CORRECTIONAL INSTITUTIONS

Missouri statutes contain some of the toughest anti-crime provisions in the country. As a result, Missouri law now requires dangerous, violent criminals to serve longer sentences than ever before. These "get tough" provisions have resulted in a rapidly expanding prison population. During the last eight calendar years, Missouri's inmate population has grown by 11,272 inmates or 3.9 inmates per day. In comparison, during the decade of the 1980's, the population grew at a rate of 2.5 inmates per day. During calendar year 2002, the population grew at a rate of 3.4 inmates per day. In Fiscal Year 2004, the average daily inmate population is projected to be 31,484.

For a criminal justice system to be effective, incarceration space must be available and operated efficiently. Due to its lack of modern design and general age, the Missouri State Penitentiary (formally named the Jefferson City Correctional Center) is Missouri's least efficient and most costly correctional center. Opened in 1836, Missouri State Penitentiary has been expanded and adjusted in a piecemeal fashion over its 166 years of operation. The result is an institution that lacks both efficiency in operations and modern security innovations. To eliminate these shortfalls, the Governor recommends \$13,109,343 to equip the new Jefferson City Correctional Center, transfer Missouri State Penitentiary operations to the new facility, and subsequently close the older institution.

Similarly, the Governor also recommends providing a total of \$36.4 million dollars to complete the openings of the Eastern Reception and Diagnostic Correctional Center in Bonne Terre and the Southeast Missouri Correctional Center in Charleston and to maintain current interim housing at Algoa Correctional Center, Fulton Diagnostic and Reception Center, and Western Missouri Correctional Center in Cameron.

The completion of the Eastern Reception and Diagnostic Correctional Center will help ensure that Missouri prisons adopt all the efficiencies available through modern prison design. Upon full opening, the institution will operate an 820-bed intake unit serving as the point of admission for offenders committed in the eastern regions of the state. The remaining 1,768 beds will serve as housing for high-custody male inmates. Similarly, Southeast Missouri Correctional Center will contribute another 1,596 inmate beds. Both the Eastern Reception and Diagnostic Center, and the Southeast Missouri Correctional Center will be state-of-the-art correctional facilities that will serve Missourians not only by housing inmates but doing so through the most efficient means possible.

DEPARTMENT OF CORRECTIONS

POLICY SUMMARY (Continued)

Offenders must be prepared to live within the rules of a lawful society if they are to be eventually released. Some performance measures the Department of Corrections uses to evaluate its efforts at holding offenders accountable to behaving in societal norms follow:

	2000	2001	2002
Percentage of incarcerated offenders with High School Diploma or GED	62%	62%	63%
Percentage of incarcerated offenders testing positive for substance abuse	2.2%	2.3%	2.2%
Percentage of probationers/parolees testing positive for substance abuse	22.9%	17.0%	22.3%
Restitution collected from offenders	\$8,913,142	\$9,284,474	N/A

**DEPARTMENT OF CORRECTIONS
OFFICE OF THE DIRECTOR**

FINANCIAL SUMMARY

	FY 2002 EXPENDITURE	FY 2003 APPROPRIATION	FY 2004 REQUEST	GOVERNOR RECOMMENDS FY 2004
Office of the Director (Staff)	\$ 3,040,522	\$ 3,430,843	\$ 3,487,191	\$ 3,547,044
Federal Programs	6,441,129	9,065,395	8,441,077	8,441,077
Inmate Revolving Fund Programs	570,768	845,288	0	0
Fuel and Utilities	25,600,770	21,351,796	22,215,183	22,215,183
Fuel and Utilities/Board of Public Buildings	2,568,745	2,568,750	2,568,750	2,568,750
Food Purchases	23,252,196	24,815,372	24,815,372	24,815,372
Public School Retirement	0	1,792	1,792	1,792
Population Growth Pool	27,660,345	39,898,310	12,216,304	11,226,091
Information Systems	5,725,798	6,885,628	6,885,628	6,885,628
Telecommunications	3,116,460	4,093,518	3,093,518	3,093,518
OFFICE OF THE DIRECTOR TOTAL	\$ 97,976,733	\$ 112,956,692	\$ 83,724,815	\$ 82,794,455
PERSONAL SERVICE				
General Revenue Fund	13,952,852	29,147,139	5,090,688	9,470,810
Federal Funds	4,439,265	2,154,587	2,993,025	2,993,025
Inmate Revolving Fund	568,563	719,191	0	0
EXPENSE AND EQUIPMENT				
General Revenue Fund	75,646,279	71,059,970	67,854,150	62,543,668
Federal Funds	2,285,069	8,410,808	5,948,052	5,948,052
Working Capital Revolving Fund	1,000,000	1,256,400	1,756,400	1,756,400
Inmate Revolving Fund	2,205	126,097	0	0
Crime Victims' Compensation Fund	82,500	82,500	82,500	82,500
TOTAL	\$ 97,976,733	\$ 112,956,692	\$ 83,724,815	\$ 82,794,455
General Revenue Fund	89,599,131	100,207,109	72,944,838	72,014,478
Federal Funds	6,724,334	10,565,395	8,941,077	8,941,077
Working Capital Revolving Fund	1,000,000	1,256,400	1,756,400	1,756,400
Inmate Revolving Fund	570,768	845,288	0	0
Crime Victims' Compensation Fund	82,500	82,500	82,500	82,500
Full-time equivalent employees	705.26	222.53	217.53	217.53

DEPARTMENT OF CORRECTIONS

OFFICE OF THE DIRECTOR (Continued)

The director of the Department of Corrections provides guidance, coordination, and control of the four departmental divisions: Human Services, Adult Institutions, Offender Rehabilitative Services, and the Board of Probation and Parole. The Office of the Director consists of the Director's Office, the Deputy Director's Office, Public Information, Office of Constituent Services, and Legal Services. Department-wide appropriations centralized at this level include inmate fund programs, telecommunications, fuel and utilities, food, inmate wage and discharge fund, security staff, the institutional expense and equipment pool, and federal programs.

Fiscal Year 2004 Governor's Recommendations

- \$6,926,091 for the Inmate Growth Pool.
- \$892,183 federal funds and 15 staff for increased education and victims' notice services.
- \$188,387 for increased facility insurance costs.
- \$80,122 for pay plan.
- \$3,377,325 and two staff transferred from the Division of Adult Institutions.
- \$650,000 transferred from the Division of Adult Institutions.
- \$500,000 other funds transferred from the Division of Offender Rehabilitative Services.
- \$350,000 transferred from the Division of Probation and Parole.
- \$175,000 transferred from the Division of Human Resources.
- (\$39,898,310) expenditures for one-time core reduction.
- (\$2,536,770) core reduction from the Fiscal Year 2003 appropriation level, including (\$20,269) general revenue.
- (\$392,449) and (11) staff transferred to the Division of Human Services, including (\$20,977) general revenue.
- (\$249,358) other funds and (seven) staff transferred to the Division of Adult Institutions.
- (\$224,458) other funds and (four) staff transferred to the Division of Probation and Parole.

DEPARTMENT OF CORRECTIONS

DIVISION OF HUMAN SERVICES

The Division of Human Services consists of Training; Employee Health and Safety; Human Resources; Budget and Planning; Fiscal Management; General Services; and Religious and Spiritual Programs. Training is responsible for training new staff and upgrading training for present staff. Employee Health and Safety consists of activities involving infectious disease control, wellness programs, and other items that relate to employee morale and well-being. Human Resources coordinates hiring, promotions, and discipline in all four divisions to ensure that professional and equitable treatment is available to all employees. Budget and Planning ensures that long and short term budgetary and strategic planning needs are identified and addressed. Fiscal management carries out the department's day-to-day financial operations. General Services coordinates food and construction services. Chaplains and volunteers are supervised by Religious and Spiritual Programs.

Fiscal Year 2004 Governor's Recommendations

- \$1,959,345 and 26 staff for Jefferson City Correctional Center Cookchill Facility.
- \$37,732 for tuberculosis testing.
- \$27,284 for pay plan, including \$26,622 general revenue.
- \$392,449 and 11 staff transferred from the Office of the Director, including \$20,977 general revenue.
- \$200,736 transferred from the statewide leasing budget.
- (\$175,000) transferred to the Office of the Director.
- (\$132,920) and (four) staff transferred to the Division of Probation and Parole.
- (\$93,341) core reduction from the Fiscal Year 2003 appropriation level.
- (\$8,206) for one-time expenditures.

**DEPARTMENT OF CORRECTIONS
DIVISION OF ADULT INSTITUTIONS**

FINANCIAL SUMMARY

	FY 2002 EXPENDITURE	FY 2003 EXPENDITURE	FY 2004 REQUEST	GOVERNOR RECOMMENDS FY 2004
Central Office	\$ 2,672,096	\$ 2,234,950	\$ 2,166,653	\$ 6,887,210
Comp Time Payments	0	3,300,000	3,300,000	0
Wage and Discharge Costs	3,639,888	4,407,194	3,757,194	3,757,194
Institutional E&E Pool	16,805,660	18,386,875	18,382,675	18,382,675
Jefferson City Correctional Center	17,336,672	17,665,971	28,861,285	28,861,285
Central Missouri Correctional Center	7,161,242	7,748,855	7,814,294	7,714,294
Women's Eastern Reception & Diagnostic Correctional Center	10,091,966	10,765,736	10,664,272	10,664,272
Ozark Correctional Center	4,036,473	4,481,304	4,597,378	4,597,378
Moberly Correctional Center	10,151,358	10,592,440	10,592,427	10,592,427
Algoa Correctional Center	7,870,059	8,113,946	8,629,010	8,459,910
Missouri Eastern Correctional Center	6,633,703	6,892,353	6,837,585	6,737,585
Chillicothe Correctional Center	3,648,135	3,962,955	4,083,096	4,083,096
Boonville Correctional Center	7,916,444	8,042,710	8,165,699	8,165,699
Farmington Correctional Center	13,941,050	14,417,537	14,889,207	14,889,207
Farmington Correctional Center/ Board of Public Buildings	1,241,290	1,391,937	1,415,441	1,415,441
Farmington Boot Camp	610,043	664,151	648,058	648,058
Western Missouri Correctional Center	13,490,511	13,945,828	16,888,072	15,338,512
Potosi Correctional Center	8,926,813	9,035,391	9,082,599	9,082,599
Fulton Reception & Diagnostic Correctional Center	8,315,173	8,294,111	8,305,337	8,305,337
FRDCC/Board of Public Buildings	561,172	617,078	617,078	617,078
Tipton Correctional Center	9,753,715	10,083,518	10,191,406	10,191,406
Western Reception & Diagnostic Correctional Center	14,274,277	14,984,441	15,136,697	15,086,697
Maryville Treatment Center	5,820,033	6,291,454	6,291,454	6,191,454
Crossroads Correctional Center	10,179,763	10,326,412	10,326,412	10,226,412
Northeast Correctional Center	13,285,616	14,133,375	14,164,484	14,064,484
Eastern Reception & Diagnostic Correctional Center	104,377	77,352	23,875,821	22,670,021
Eastern Reception & Diagnostic Center Lease	8,404,451	0	0	0
South Central Correctional Center	10,467,585	10,912,802	10,865,847	10,765,847
Southeast Missouri Correctional Center	0	0	12,674,893	11,880,693
DIVISIONAL TOTAL	\$ 217,339,565	\$ 221,770,676	\$ 273,224,374	\$ 270,276,271
PERSONAL SERVICE				
General Revenue Fund	187,223,757	197,791,751	237,035,744	234,099,583
Working Capital Revolving Fund	368,990	456,962	456,962	466,300
Inmate Revolving Fund	130,916	157,182	406,540	406,540
EXPENSE AND EQUIPMENT				
General Revenue Fund	21,211,451	23,364,781	35,325,128	35,303,848
PROGRAM SPECIFIC DISTRIBUTION				
General Revenue Fund	8,404,451	0	0	0
TOTAL	\$ 217,339,565	\$ 221,770,676	\$ 273,224,374	\$ 270,276,271
General Revenue Fund	216,839,659	221,156,532	272,360,872	269,403,431
Working Capital Revolving Fund	368,990	456,962	456,962	466,300
Inmate Revolving Fund	130,916	157,182	406,540	406,540
Full-time equivalent employees	7,831.35	7,344.21	8,771.71	8,771.71

DEPARTMENT OF CORRECTIONS

DIVISION OF ADULT INSTITUTIONS (Continued)

Fiscal Year 2004 Governor's Recommendations

- \$22,629,760 and 821 staff to finish opening the Eastern Reception and Diagnostic Correctional Center.
- \$11,880,693 and 446 staff to finish opening the Southeast Missouri Correctional Center.
- \$11,149,998 to open the Jefferson City Correctional Center.
- \$1,900,000 and 132 staff to continue saturation housing at Algoa Correctional Center and Western Missouri Correctional Center.
- \$4,741,837 for pay plan, including \$4,732,499 general revenue.
- \$680,370 and 24.5 staff transferred from the Division of Offender Rehabilitative Services.
- \$249,358 other funds and seven staff transferred from the Office of the Director.
- \$2,200 transferred from the Division of Probation and Parole.
- (\$4,027,325) and (two) staff reallocation to the Office of the Director.
- (\$650,000) for one time expenditures.
- (\$30,016) and (one) staff reallocation to the Division of Offender Rehabilitative Services.
- (\$21,280) core reduction from the Fiscal Year 2003 appropriation level.

DEPARTMENT OF CORRECTIONS

DIVISION OF ADULT INSTITUTIONS (Continued)

Missouri Prison Population: January 3, 2003

Male Institutional	<u>Capacity</u>	<u>Population</u>	<u>Vacancies</u>
Algoa Correctional Center	1,565	1,537	28
Biggs	20	8	12
Boonville Correctional Center, including 200 Tents	1,256	1,247	9
Northeast Correctional Center	1,985	1,965	20
Western Missouri Correctional Center	2,619	2,588	31
Central Missouri Correctional Center	1,000	997	3
Crossroads Correctional Center	1,500	1,477	23
Eastern Reception and Diagnostic Correctional Center	96	94	2
Farmington Correctional Center	2,307	2,251	56
Fulton Reception and Diagnostic Center	1,272	1,654	(382)
Kansas City Community Release Center	250	287	(37)
South Central Correctional Center	1,596	1,540	56
Missouri Eastern Correctional Center	1,100	1,099	1
Moberly Correctional Center	1,800	1,798	2
Missouri State Penitentiary	2,058	1,986	72
Ozark Correctional Center	650	621	29
Ozark Correctional Center - Camp Hawthorne	45	37	8
Potosi Correctional Center	792	790	2
Southeast Missouri Correctional Center	1,596	1,214	382
Western Reception and Diagnostic Correctional Center	1,614	1,509	105
St. Louis Community Release Center	450	413	37
Tipton Correctional Center	1,088	1,084	4
Male Institutional Total	26,659	26,196	463
Male Treatment			
Boonville Treatment Center	60	58	2
Farmington Boot Camp	50	29	21
Cremer (Treatment)	180	115	65
Farmington Treatment Center	275	267	8
Maryville Treatment Center	525	521	4
Mineral Area Treatment Center	100	91	9
Western Reception and Diagnostic Correctional Center	320	306	14
Male Treatment Total	1,510	1,387	123
TOTAL MALE CAPACITY AND POPULATION	28,169	27,583	586
Female			
Biggs	10	0	10
Chillicothe Correctional Center	525	515	10
Kansas City Community Release Center	50	36	14
St. Louis Community Release Center	50	43	7
Women's Eastern Reception and Diagnostic Correctional Center	1,776	1,694	82
TOTAL FEMALE CAPACITY AND POPULATION	2,411	2,288	123
TOTAL POPULATION	30,580	29,871	709
Population at end of Calendar 1998	24,978	Growth During Calendar 1998	1,326
Population at end of Calendar 1999	26,227	Growth During Calendar 1999	1,249
Population at end of Calendar 2000	27,295	Growth During Calendar 2000	1,068
Population at end of Calendar 2001	28,606	Growth During Calendar 2001	1,311
Population at end of Calendar 2002	29,871	Growth During Calendar 2002	1,265

**DEPARTMENT OF CORRECTIONS
DIVISION OF OFFENDER REHABILITATIVE SERVICES**

FINANCIAL SUMMARY

	FY 2002 EXPENDITURE	FY 2003 APPROPRIATION	FY 2004 REQUEST	GOVERNOR RECOMMENDS FY 2004
Central Office	\$ 1,752,487	\$ 2,186,413	\$ 2,072,455	\$ 2,082,723
Medical Services	41,427,342	79,850,138	83,745,389	83,664,227
Mental Health Services	8,673,421	0	0	0
Medical Equipment	236,680	244,000	750,000	394,000
Medical Staff	60,853	0	0	0
JOBS	20,238,100	25,024,735	24,091,976	24,091,976
Vocational Enterprises	18,910,391	33,791,600	33,291,600	33,370,502
Prison Industry Enhancement	0	962,762	962,762	962,762
DIVISIONAL TOTAL	\$ 91,299,274	\$ 142,059,648	\$ 144,914,182	\$ 144,566,190
PERSONAL SERVICE				
General Revenue Fund	14,402,286	18,138,731	17,469,377	17,488,689
Working Capital Revolving Fund	7,121,756	8,457,411	8,457,411	8,536,313
EXPENSE AND EQUIPMENT				
General Revenue Fund	57,015,720	87,173,558	91,197,446	90,751,240
Federal Funds	0	1	1	1
Working Capital Revolving Fund	12,759,147	28,025,347	27,525,347	27,525,347
Correctional Substance Abuse Earnings Fund	365	264,600	264,600	264,600
TOTAL	\$ 91,299,274	\$ 142,059,648	\$ 144,914,182	\$ 144,566,190
General Revenue Fund	71,418,006	105,312,289	108,666,823	108,239,929
Federal Funds	0	1	1	1
Working Capital Revolving Fund	19,880,903	36,482,758	35,982,758	36,061,660
Correctional Substance Abuse Earnings Fund	365	264,600	264,600	264,600
Full-time equivalent employees	671.28	819.65	795.15	795.15

Fiscal Year 2004 Governor's Recommendations

- \$3,964,089 for increased inmate medical costs.
- \$98,214 for pay plan, including \$19,312 general revenue.
- (\$377,363) for one-time expenditures.
- (\$650,354) and (23.5) staff transferred to the Division of Adult Institutions.
- (\$500,000) other funds transferred to the Office of the Director.
- (\$19,000) and (one) staff transferred to the Division of Probation and Parole.
- (\$9,044) core reduction from the Fiscal Year 2004 appropriation level.

DEPARTMENT OF CORRECTIONS

BOARD OF PROBATION AND PAROLE

The Board of Probation and Parole provides a full range of supervision strategies to manage offenders who are on probation and parole. These strategies combine appropriate structure, control, treatment, and intervention to address the risk and needs of offenders in the community. In addition to supervision of offenders, staff provides assessments and investigations for the courts, parole board, and other states. These assessments and investigations assist the judges and parole board in making informed and appropriate decisions on cases before them. Through professional assessment and supervision, the board is able to identify and deliver a continuum of necessary services to address a complex offender population. The board also manages a range of alternatives, including community sentencing, the house arrest program, intensive supervision, and halfway houses.

Fiscal Year 2004 Governor's Recommendations

- \$464,009 for pay plan, including \$463,532 general revenue.
- \$224,458 other funds and four staff transferred from the Office of the Director.
- \$151,920 and five staff transferred from the Division of Human Services.
- \$97,105 transferred from the statewide leasing budget.
- (\$350,000) transferred to the Division of Probation and Parole.
- (\$2,200) transferred to the Division of Adult Institutions.

	FY 2002 EXPENDITURE	FY 2003 APPROPRIATION	FY 2004 REQUEST	GOVERNOR RECOMMENDS FY 2004
Probation and Parole Staff	\$ 60,051,155	\$ 62,646,265	\$ 62,983,204	\$ 63,197,213
St. Louis Community Release Center	3,555,045	3,654,518	3,716,226	3,666,226
Kansas City Community Release Center	1,964,271	2,226,678	2,299,314	2,249,314
Community-Based Corrections Programs	11,075,335	10,128,748	10,128,748	10,128,748
DIVISIONAL TOTAL	\$ 76,645,806	\$ 78,656,209	\$ 79,127,492	\$ 79,241,501
PERSONAL SERVICE				
General Revenue Fund	60,436,254	62,886,451	63,034,310	63,147,842
Inmate Revolving Fund	61,798	157,734	319,144	319,621
EXPENSE AND EQUIPMENT				
General Revenue Fund	13,095,467	12,559,316	12,658,282	12,658,282
Inmate Revolving Fund	3,052,287	3,052,708	3,115,756	3,115,756
TOTAL	\$ 76,645,806	\$ 78,656,209	\$ 79,127,492	\$ 79,241,501
General Revenue Fund	73,531,721	75,445,767	75,692,592	75,806,124
Inmate Revolving Fund	3,114,085	3,210,442	3,434,900	3,435,377
Full-time equivalent employees	2,081.37	2,080.88	2,089.88	2,089.88

DEPARTMENT OF MENTAL HEALTH

FINANCIAL SUMMARY

	FY 2002 EXPENDITURE	FY 2003 APPROPRIATION	FY 2004 REQUEST	GOVERNOR RECOMMENDS FY 2004
Office of the Director	\$ 28,193,167	\$ 51,434,348	\$ 46,596,596	\$ 45,478,117
Division of Alcohol and Drug Abuse	65,291,992	86,723,826	86,698,720	86,327,216
Division of Comprehensive Psychiatric Services	294,799,580	302,008,789	310,407,730	302,514,087
Division of Mental Retardation and Developmental Disabilities	255,917,328	262,956,398	263,670,418	264,203,342
DEPARTMENTAL TOTAL	\$ 644,202,067	\$ 703,123,361	* \$ 707,373,464	\$ 698,522,762
General Revenue Fund	534,022,440	525,452,899	533,745,033	528,120,039
Federal Funds	88,000,066	140,809,081	138,767,050	135,818,043
Mental Health Intergovernmental Transfer Fund	0	12,000,000	10,000,000	10,000,000
General Revenue Reimbursements Fund	4,000,019	4,544,329	4,544,329	4,544,329
Compulsive Gamblers Fund	190,906	452,696	452,696	452,810
Health Initiatives Fund	6,315,405	6,299,157	6,299,157	4,934,151
Family Support Loan Program Fund	62,654	291,305	291,305	291,305
Mental Health Earnings Fund	1,952,964	1,872,990	1,872,990	3,711,181
HFTF-Health Care Account	2,329,837	2,827,681	2,827,681	2,077,681
HFTF-Tobacco Prevention Account	0	300,000	300,000	300,000
Institution Gift Trust Fund	7,327,776	8,273,223	8,273,223	8,273,223
Full-time equivalent employees	10,502.25	10,091.61	10,173.51	9,982.66

* Does not include \$3,540,611 recommended in Fiscal Year 2003 Supplemental Appropriations. See the Supplemental section of the Missouri Budget for details regarding the Department of Mental Health supplemental appropriations.

POLICY SUMMARY

Governor Holden's Fiscal Year 2004 budget provides \$698.5 million for the Department of Mental Health to support Missourians with mental illness, substance abuse problems, and developmental disabilities. The department has focused its efforts on reducing substance abuse by youth, helping children with severe mental illness live successfully in their communities, and improving the quality of care for all mental health clients. Through these efforts, the lives of clients are improved and safety for all Missourians is enhanced.

A weakened economy and considerable growth in mandatory programs like Medicaid has resulted in the most significant challenge the state has faced since the Depression. The Fiscal Year 2004 budget includes substantial core reductions. However, the budget also recognizes that the state cannot cut its way out of the current fiscal problems without severely reducing essential services provided to Missourians. General revenue budget increases have been limited to mandatory programs. Governor Holden's priorities are protecting the state's investment in education and ensuring that our most vulnerable citizens – children, the elderly, and disabled – are shielded to the greatest extent possible from budget reductions.

ENHANCING THE HEALTH AND SAFETY OF THE PUBLIC

Most Missourians with mental disabilities pose no threat to others, but the department does help ensure public safety through prevention and treatment of substance abuse, treatment of persons whose mental disabilities make them dangerous to themselves or others, and custody and treatment for individuals judged to be sexually violent predators. Governor Holden recommends:

- \$6.6 million to pay for caseload growth in the department's Medicaid programs.
- \$3 million federal funds to expand Comprehensive Psychiatric Services, including \$2.5 million to develop an integrated community-based system of care for children with severe behavioral disorders; \$311,536 to expand local mental health services available to the non-violent, misdemeanor offenders with serious mental illness through implementation of the Jail Diversion Program; and \$150,442 to develop programs to ensure that youth and their families receive mental health services to help them become more independent and self-reliant.

DEPARTMENT OF MENTAL HEALTH

POLICY SUMMARY (Continued)

- \$1.4 million to expand the treatment program for sexually violent predators at the Southeast Missouri Mental Health Center. In Fiscal Year 2004, the department expects the number of persons detained or committed to the program by the courts to reach approximately 94, up from 67 at the end of December 2002.
- \$1.3 million federal funds to provide psychiatric treatment in safe and secure environments for Missourians with mental disabilities and substance abuse problems. Increased funding will ensure that hospitals remain compliant with federal regulations.

EFFECTIVE AND EFFICIENT STATE SERVICES

Ensuring efficient and effective state services is always important; however, when resources are very limited, it is even more critical. The Department of Mental Health has aggressively worked to streamline administrative functions; focus its funding on direct services to clients, particularly children; and improve accountability. Governor Holden's recommendations continue these improvements:

- \$1 million mental health interagency payment fund to provide residential treatment services for children in the care and custody of the Department of Social Services. The Department of Mental Health will be able to maximize federal revenues, improve quality of care for these children, and reduce costs to the Department of Social Services.
- \$732,789 federal funds to continue modernization of the department's Substance Abuse Primary Recovery Program, allowing for improved quality of care, better treatment methods tailored to consumer needs, and more efficient assessment of consumer outcomes.
- \$195,410 federal funds for evidence-based community activities and interventions to enhance the Missouri School-Based Prevention Resource Initiative (SPIRIT). These funds should result in decreases in the incidence of alcohol, tobacco, and other drug use; increases in student performance in school; and encourage youth involvement in their community.

Some performance measures the Department of Mental Health uses to evaluate the success of its programs follow:

	2000	2001	2002
Percentage of high school seniors using alcohol *	N/A	52.2%	N/A
Percentage of high school students using marijuana*	N/A	24.6%	N/A
Percent of developmentally disabled children with DMH support whose families care for them at home	97.9%	97.8%	99.1%
Alcohol- and drug-related traffic crashes resulting in death	250	257	N/A
Percentage of Missourians homeless or in shelters	1.2%	1.5%	N/A
Number of psychiatric clients living independently	6,862	7,141	7,092
Alcohol and drug abuse treatment clients	36,219	37,523	37,466
Psychiatric clients in community programs	58,096	61,799	62,572
Developmentally disabled clients in community settings	25,951	27,597	29,685

* This measure is available every two years.

DEPARTMENT OF MENTAL HEALTH

OFFICE OF THE DIRECTOR

The Department of Mental Health establishes policies, standards, and quality outcomes for prevention, education, habilitation, rehabilitation, and treatment for Missourians challenged by mental illness, substance abuse/addiction, and developmental disabilities. The department implements policy and programs through three program divisions -- Comprehensive Psychiatric Services, Mental Retardation and Developmental Disabilities, and Alcohol and Drug Abuse. Services are provided through an array of community-based programs and outpatient clinics, inpatient hospitals, long-term rehabilitation centers, and habilitation centers. The department operates under the advice of a seven-member Mental Health Commission appointed by the Governor.

The Office of the Director implements the plans and policies of the Mental Health Commission and manages the department. Its Office of Consumer Affairs represents consumer and family viewpoints in decision and policy development. The Office of Legislative Liaison reviews and analyzes state and federal legislation that pertains to services provided by the department and assists the program and support divisions with policy review and implementation. The General Counsel assists in litigation and represents the department at hearings, pleadings, briefings, waiver summons, and subpoenas. The Office of Administration provides management and fiscal support, including the annual budget, capital improvements, accounting, building maintenance and management, revenue management, contracting, dietary consultation, purchasing, and general services. The Office of Quality Management provides a variety of oversight and support functions which include: financial and compliance audits, abuse and neglect investigations, licensure and certification reviews, health care consultation, nursing home reform administration, administrative hearings/appeals, regulatory process and review, outcomes evaluation and strategic planning, and maintenance of Health Insurance Portability and Accountability (HIPAA) compliance. The Office of Human Resources coordinates department-wide personnel, labor relations, and other related functions. The Office of Public Affairs disseminates information to reduce stigma and raise awareness about mental health programs and services and assists the divisions and facilities in such activities. The Office of Information Systems is responsible for the information technology within the department.

The Office of the Director also administers several department-wide activities. These include housing and deaf services, refunding overpayments by private payors and insurers, tracking the use of private donations to the department, maintaining department facilities, and administering federal grants.

Fiscal Year 2004 Governor's Recommendations

- \$100,000 federal funds and .5 staff to enhance state-level capacity coordinated emergency responses to mental health and substance abuse services in the aftermath of a large-scale emergency.
- \$25,729 for pay plan, including \$24,595 general revenue.
- \$115,732 federal funds and one staff core reallocated from the Division of Alcohol and Drug Abuse.
- (\$5,000,000) federal and other funds core reduction of excess appropriation authority.
- (\$1,144,208) and (9.91) staff core reduction.
- (\$53,484) and (one) staff core reallocated to the Division of Mental Retardation and Developmental Disabilities to bring appropriation authority in line with spending.

DEPARTMENT OF MENTAL HEALTH

DIVISION OF ALCOHOL AND DRUG ABUSE

The Division of Alcohol and Drug Abuse (ADA) has the responsibility of ensuring that treatment and prevention services are accessible to persons with substance abuse and gambling disorders, and those at risk for substance abuse and compulsive gambling. The division achieves these goals through a treatment system of contracted community-based providers and state-operated facilities and contracts for 39 general treatment service programs and 43 Comprehensive Substance Treatment and Rehabilitation Programs (CSTAR). The general treatment service programs offer an array of services, including detoxification from drugs and alcohol, residential treatment and outpatient treatment. The CSTAR programs offer comprehensive services through three levels of care based on need and severity of addiction. The division has established 12 CSTAR programs specifically for pregnant women and their children and 13 programs specifically for adolescents. The division's administrative responsibilities include, but are not limited to, funding provisions, technical assistance and training, standard setting to ensure quality services, research, public information dissemination, clinical review and service authorization, review and oversight of the division's budget, and program planning and policies for prevention and treatment services. Missouri receives federal funds from the Substance Abuse Prevention and Treatment Block Grant, the Center for Substance Abuse Treatment, and the U.S. Department of Education.

Fiscal Year 2004 Governor's Recommendations

- \$1,837,921 other funds to replace the health initiative fund core reduction in the Substance Abuse Traffic Offender's Program (SATOP).
- \$732,789 federal funds to continue modernization of the department's Substance Abuse Primary Recovery programs.
- \$254,423 for anticipated caseload increases in Medicaid treatment services.
- \$195,410 federal funds for a school-based prevention and intervention initiative.
- \$100,000 federal funds to enhance the collecting, recording, and reporting of performance measures used to identify the effectiveness of Missouri's substance abuse treatment programs.
- \$10,704 for pay plan, including \$5,222 general revenue.
- \$3,037 federal funds transferred from Statewide Leasing for janitorial and utility costs.
- (\$1,365,680) other funds core reduction to be replaced by new Substance Abuse Traffic Offender's Program (SATOP) collections.
- (\$1,195,033) federal funds core reduction from the Fiscal Year 2003 appropriation level.
- (\$526,941) and (three) staff in core reduction from the Fiscal Year 2003 appropriation level.
- (\$327,508) core reduction for implementing recipient copayments in the Medicaid Program.
- (\$115,732) federal funds and (one) staff core reallocated to the Office of the Director.

DEPARTMENT OF MENTAL HEALTH

DIVISION OF COMPREHENSIVE PSYCHIATRIC SERVICES

The Division of Comprehensive Psychiatric Services operates several state facilities and purchases residential, rehabilitative, and support services for clients who live in community settings. The ultimate objective is an integrated mental health service system that will enable clients to live as normally and independently as their conditions permit. The division funds a wide array of services, including residential care centers, foster homes, group homes, independent living programs, nursing homes, supported employment, crisis intervention, psychiatric rehabilitation, and other forms of assistance. Many of these services are partially funded through Medicaid.

The division provides inpatient care at three rehabilitation centers, two children's psychiatric hospitals, one children's residential center, and four state-operated acute care centers. These facilities offer inpatient care for adults who are seriously mentally ill and for severely emotionally disturbed children. Services include acute care, long-term rehabilitation for clients who are not ready to return to the community, and outpatient care. A large part of the population in the long-term rehabilitation facilities consists of forensic clients. These are people committed to the department by the courts as not guilty by reason of mental disease or defect, or as incompetent to stand trial. Fulton State Hospital and the Southeastern Missouri Mental Health Center also provide mental health care for prison inmates. The division also operates the Sexually Violent Predator Program at the Southeast Missouri Mental Health Center. Following are data for these facilities:

Facility	Total Staffed Beds	FY 2002 Inpatient Days	Forensic and Corrections Beds
Fulton State Hospital	505	167,077	448
Northwest Missouri Psychiatric Rehabilitation Center	120	42,911	86
St. Louis Psychiatric Rehabilitation Center	212	76,456	159
Southwest Missouri Psychiatric Rehabilitation Center	30	8,709	0
Cottonwood Residential Treatment Center	32	9,226	0
Hawthorn Children's Psychiatric Hospital	52	16,097	0
Metropolitan St. Louis Psychiatric Center	115	33,404	0
Mid-Missouri Mental Health Center	69	23,011	0
Southeast Missouri Mental Health Center	226	88,757	84
Sexually Violent Predator Program	N/A	15,708 *	50
Farmington Correctional Center Beds	194	9,375 *	20
Western Missouri Mental Health Center	75	58,434	0

*Included in the 88,757 for Southeast MO MHC

Fiscal Year 2004 Governor's Recommendations

- \$2,953,319 federal funds for increased appropriation authority to expand treatment, prevention, and intervention services.
- \$1,408,015 and 34.9 staff for increased caseload at the Missouri Sexual Offender Treatment Center.
- \$1,402,290 and 42.5 staff to improve patient and staff safety in psychiatric hospitals across the State of Missouri, which is necessary for certification and accreditation mandated by the federal government.
- \$1,254,190 for anticipated caseload increase in Medicaid treatment services.
- \$1,250,000 federal funds to provide additional acute psychiatric treatment services throughout the State of Missouri.
- \$1,981,178 for pay plan, including \$1,950,276 general revenue.
- \$205,657 transferred from the Office of Administration for fringe payments for the privatization of children outpatient services at Mid-Missouri Mental Health Center.
- (\$5,521,275) and (33.5) staff in core reduction for contracts and services in adult community programs, including (\$1,521,275) general revenue.
- (\$2,326,084) and (78.78) staff in core reduction for acute psychiatric inpatient services for youth in the northwest region of the state.
- (\$1,211,292) core reduction for implementing recipient copayments in the Medicaid Program.
- (\$505,563) and (23) staff in core reduction for the privatization of the New Prospects Workshop Program at Western Missouri Mental Health Center.
- (\$218,814) and (3.5) staff in core reduction for contracts and services in youth community programs.
- (\$91,793) and (1.3) staff in core reduction from the Fiscal Year 2003 appropriation level.
- (\$74,530) core reduction for one-time expenditures.
- (14) staff core reduction for the privatization of children outpatient services at Mid-Missouri Mental Health Center.

DEPARTMENT OF MENTAL HEALTH

DIVISION OF MENTAL RETARDATION AND DEVELOPMENTAL DISABILITIES

The Division of Mental Retardation and Developmental Disabilities operates several facilities and purchases residential, habilitative, and support services for clients who live in the community and for families who keep their developmentally disabled children at home. This is a key element in the development of an integrated system that will enable mentally retarded and developmentally disabled clients to live as normally and independently as their conditions and behavior permit. Community-based services range from residential placements to support services for persons living with their families or in their own apartments. The Medicaid Home- and Community-Based Waiver plays a major role in the division's community service system. Its 11 regional centers are the entry and exit points for clients. They provide screening and diagnostic services for both children and adults, evaluate the need for services and arrange for them, and monitor and assess the clients' progress.

The division provides residential services at the six state habilitation centers. These centers offer long-term training and habilitation for clients who cannot move into community settings because of the severity of their disabilities or for behavioral reasons. Those who can make the change are eventually moved into community settings, with the goal of integrating them as fully as possible into normal community life. The following table shows the number of beds in the habilitation centers.

Facility	Beds
Bellefontaine Habilitation Center	382
Higginsville Habilitation Center	132
Marshall Habilitation Center	311
Nevada Habilitation Center	138
St. Louis Developmental Disabilities Treatment Center	235
Southeast Missouri Residential Services	86
Habilitation Center Clients in Community Settings	183
Total	1,467

Fiscal Year 2004 Governor's Recommendations

- \$5,070,314 for anticipated caseload increases in Medicaid treatment services.
- \$582,366 federal funds and 18 staff to ensure Bellefontaine Habilitation Center maintains certification and provides an instructive environment for its residents mandated by the federal government.
- \$2,207,940 for pay plan, including \$1,943,407 general revenue.
- \$55,401 transferred from Statewide Leasing for janitorial and utility costs.
- \$53,484 and one staff core reallocated from the Office of the Director to bring appropriation authority in line with spending.
- (\$3,763,919) federal funds core reduction of excess appropriation authority for the redesign of the First Steps Program administered by the Department of Elementary and Secondary Education.
- (\$1,282,007) transferred to the Department of Elementary and Secondary Education for the redesign of the First Steps Program.
- (\$629,628) and (two) staff in core reduction from the Fiscal Year 2003 appropriation level.
- (\$623,488) and (15.86) staff in core reduction for the consolidation of some administrative positions within six regional centers.
- (\$421,900) and (20) staff in core reduction for the closure of the Skilled Nursing Facility (SNF) at Marshall Habilitation Center.
- (\$1,619) transferred to Statewide Leasing for fuel and utility costs.

DEPARTMENT OF HEALTH AND SENIOR SERVICES

FINANCIAL SUMMARY

	FY 2002 EXPENDITURE	FY 2003 APPROPRIATION	FY 2004 REQUEST	GOVERNOR RECOMMENDS FY 2004
Health Administration	\$ 18,385,686	\$ 28,914,109	\$ 30,683,407	\$ 30,315,571
Center for Health Information Management and Evaluation	10,467,458	14,413,095	13,711,875	13,265,595
Center for Local Public Health Services	9,970,380	10,383,267	10,383,267	10,309,795
Center for Emergency Response and Terrorism	0	18,758,646	29,363,866	29,363,866
Center for Health Improvement	10,243,568	7,849,970	7,840,655	7,708,171
Environmental Health and Communicable Disease Prevention	30,785,512	38,414,069	37,578,476	35,406,312
Maternal, Child and Family Health	29,972,183	39,695,091	36,395,091	34,319,031
Nutritional Health and Services	133,203,704	153,948,763	149,515,067	149,499,017
Chronic Disease Prevention and Health Promotion	10,764,520	11,397,858	10,983,069	10,977,992
Health Standards and Licensure	26,602,927	33,579,191	31,060,939	31,223,935
Senior Services	70,689,907	77,462,088	79,876,340	79,876,340
Missouri Senior Prescription Program	453,132	75,209,494	61,556,548	61,558,372
Missouri Health Facilities Review Committee	257,186	209,000	209,000	194,340
DEPARTMENTAL TOTAL	\$ 351,796,163	\$ 510,234,641	\$ 499,157,600	\$ 494,018,337
General Revenue Fund	86,776,357	92,531,192	93,412,782	88,041,125
Federal Funds	247,408,847	314,997,289	317,984,741	318,206,630
Intergovernmental Transfer Fund	16,197	0	0	0
Division of Aging Donations Fund	0	50,000	50,000	50,000
Nursing Facility Quality of Care Fund	2,318,065	3,360,004	3,360,004	3,363,450
Health Initiatives Fund	5,135,266	5,406,382	5,406,382	5,406,629
Health Access Incentive Fund	4,044,487	4,219,172	4,219,172	4,219,525
Mammography Fund	30,606	70,107	70,107	70,184
Division of Aging Elderly Home Delivered Meals Trust Fund	101,748	430,000	430,000	430,000
Missouri Public Health Services Fund	1,371,098	3,212,340	3,212,340	3,214,295
Professional and Practical Nursing Student Loan and Nurse Loan Repayment Fund	438,781	535,256	535,256	535,419
Medical School Loan and Loan Repayment Program Fund	50,000	50,000	50,000	50,000
Healthy Families Trust Fund (HFT)-Health Care Treatment and Access Account	206,525	1,278,348	0	0
HFT-Tobacco Prevention Account	536,239	0	0	0
Department of Health Document Services Fund	95,768	815,012	815,012	815,012
Workers' Compensation Fund	126,781	138,942	138,942	139,546
Department of Health - Donated Fund	1,299,402	4,513,854	4,513,854	4,514,125
HFT-Senior Prescription Account	0	980,000	980,000	980,000
Hazardous Waste Remedial Fund	159,750	239,954	239,954	240,654
Missouri Senior Rx Fund	453,132	75,209,494	61,556,548	61,558,372
Organ Donor Program Fund	227,367	371,669	356,880	357,128
Early Childhood Development, Education and Care Fund	755,231	989,626	989,626	990,243
Smith Memorial Endowment Trust Fund	26,431	35,000	35,000	35,000
Blindness Education, Screening and Treatment Program Fund	25,711	250,000	250,000	250,000
Missouri Lead Abatement Loan Fund	0	276,000	276,000	276,000
Crippled Children Fund	192,374	275,000	275,000	275,000
Full-time equivalent employees	1,973.40	2,233.94	2,227.37	2,193.32

DEPARTMENT OF HEALTH AND SENIOR SERVICES

POLICY SUMMARY

Governor Holden's budget for Fiscal Year 2004 provides a total of \$494.0 million for the Department of Health and Senior Services for its vital role in protecting and promoting the health of Missourians. The department is engaged in activities that protect the health and well being of Missouri's citizens, prevent or control communicable diseases, reduce the burden of chronic diseases, and safeguard the public.

A weakened economy and considerable growth in mandatory programs like Medicaid has resulted in the most significant challenge the state has faced since the Depression. The Fiscal Year 2004 budget includes substantial core reductions. However, the budget also recognizes that the state cannot cut its way out of the current fiscal problems without severely reducing essential services provided to Missourians. General revenue budget increases have been limited to mandatory programs. Governor Holden's priorities are protecting the state's investment in education and ensuring that our most vulnerable citizens – children, the elderly, and disabled – are shielded to the greatest extent possible from budget reductions.

SAFEGUARD THE PUBLIC

In response to the terrorist events in this country, Missouri has made great strides in setting and implementing policies to improve the detection, analysis, surveillance, and response capabilities to the potential release of biohazardous materials in the state. Problems can be detected earlier and a comprehensive response can be implemented more quickly. The same system can be used in the event of natural disasters or environmental hazards. Both new federal and state funds were appropriated last year for these purposes. The Governor's recommendations include:

- \$11.0 million federal funds to expand the Public Health Preparedness and Response for Bioterrorism and the Bioterrorism Hospital Preparedness Grants.

In addition to its role in responding to biohazards, core public health functions are necessary to protect the health of Missourians. The department inspects restaurants, hospitals, ambulatory surgical centers, nursing homes, lead abatement projects, and child and adult daycare programs. The department also provides prevention services, health screenings, and wellness promotion.

Some performance measures the Department of Health and Senior Services uses to evaluate its goal of safeguarding the public follow:

	1999	2000	2001
Rate of tuberculosis (TB) disease per 100,000 population	3.8	3.8	2.8
Percentage of children with elevated blood lead levels	12%	11%	8%
Number of substandard hospital care cases	1,673	1,814	2,093

MAINTAINING SUPPORT AND HOME AND COMMUNITY BASED SERVICES FOR ELDERLY CITIZENS

Governor Holden supports services to help seniors and adults with disabilities maintain their independence, autonomy, and safety. The number of Missouri seniors, those over 65, is rapidly increasing with over 750,000 seniors now residing here of which 10 percent live in poverty. From 13.5 percent of Missouri's population in 2000, those 65 years and older will exceed 1.2 million by 2025 and will comprise almost 20 percent of our population. Survey information shows that senior citizens desire to remain in their homes through the end of their lives. The home and community based services offered through the Division of Senior Services can help low-income eligible seniors remain in their homes and communities. Among the many home-based services offered are nurse visits, respite services, adult day care services, counseling, and home-delivered meals. In the community, seniors can participate in shared meals, find legal services, do volunteer work with the ombudsman program as well as attend support group meetings. For those seniors who may need the care provided by nursing facilities, the nursing home program, now located in the Division of Health Standards and Licensure, is responsible for inspections, training, investigations, licensing, and follow-up. The investigation of abuse and neglect cases in both home settings and in facilities also operates through this division.

The Missouri Senior Rx Program completes its first full year in Fiscal Year 2003. The program is serving almost 22,000 low-income eligible seniors by helping to defray the cost of prescription drugs. The average annual income for current participants is only \$12,661. After the seniors meet an annual deductible, the Missouri Senior Rx Program will pay 60 percent of the cost of prescription medications up to a maximum of \$5,000 a year. The Governor recommends increased funding of \$29.8 million from tobacco settlement funds to ensure an estimated 40,000 seniors are covered.

DEPARTMENT OF HEALTH AND SENIOR SERVICES

POLICY SUMMARY (Continued)

Some performance measures used by the Department of Health and Senior Services to evaluate the health, safety, and independence of Missouri's elderly and disabled citizens follow:

	1999	2000	2001
Percentage of seniors and persons with disabilities who are abused, neglected, or exploited	.76%	.84%	.72%
Percentage of Medicare/Medicaid long-term care facilities in substantial compliance	33.1%	23.3%	18.2%
Percentage of long-term care abuse/neglect reports that are "unable to verify"	20.9%	33.0%	29.9%
Percentage of Medicaid recipients receiving community-based services	21.4%	22.6%	18.6%
Nursing facility cost avoidance due to the Missouri Care Options Program (million of dollars)	\$197.4	\$218.0	\$222.7

PROTECT THE HEALTH OF MISSOURI'S CHILDREN

The Department of Health and Senior Services has focused its efforts to achieve priority results related to healthy Missourians. The department is working to increase the percentage of pregnancies that result in healthy babies, decrease the rate of infant mortality, and decrease the pregnancy rate for females under age 18. Great strides have been made in reducing childhood mortality, but significant risks to child health remain, including poor nutrition, unsafe environments, and high-risk behaviors among adolescents. Many challenges still remain in a state where 15.3 percent of our children lived in poverty in 1997. In 2001, a total of 5,794 babies were born with low birth weight, placing them at risk for adverse outcomes and premature deaths. Lack of access to health care, including medical and dental care, means many children do not get the screening, treatment, and prevention services they need in a timely manner. Fewer than a quarter of Missouri's adolescents consume five servings of fruits and vegetables daily and about 20 percent of our children have untreated dental cavities. A specific and totally preventable high-risk behavior among adolescents is tobacco use, whether smoking or chewing. In 2001, 30.3 percent of Missouri's adolescents were currently smoking, creating the potential for long-term future health problems such as cancer, heart disease, and obstructive lung disease, as well as premature deaths.

Some performance measures the Department of Health and Senior Services uses to evaluate its goal of protecting the health of Missouri's children follow:

	1999	2000	2001
Percentage of births resulting in healthy birth weight babies	90.2%	90.3%	90.5%
Infant mortality rate per 1,000 births	7.7	7.2	7.4
Pregnancy rate per 1,000 females under age 18	35.5	34.4	29.2
Percentage of pregnant women who received adequate prenatal care	89.5%	89.6%	89.2%
Percentage of childcare facilities that meet health and safety standards	94%	93%	90%

PREVENT AND CONTROL COMMUNICABLE AND CHRONIC DISEASES

Communicable diseases continue to threaten public health and contribute significantly to the cost of health care even though many serious infectious diseases are largely or completely preventable. In Missouri, there are at least 8,616 people living with reported cases of HIV/AIDS. In 2001, there were 8,187 reported cases of gonorrhea and 13,355 cases of chlamydia.

Chronic diseases such as heart disease, cancer, stroke, obstructive lung diseases, and diabetes are the most prevalent, costly, and preventable of all health problems. In 2001, these five conditions were responsible for 68 percent of all deaths in Missouri, and each of these diseases has substantial human costs as well as economic costs that exceed \$14.2 billion in Missouri annually. Chronic diseases share many of the same risk factors, including tobacco usage, obesity, lack of exercise, and diets lacking adequate fruits and vegetables. Despite the human and economic costs, 25.9 percent of adults and 30.3 percent of high school students in Missouri continue to smoke, many adults and children are obese, and 28.8 percent of adults engage in no leisure time physical activity. Much of the state's current budget problem is a direct result of escalating healthcare costs due to unhealthy life styles. One way to bring these costs under control and increase the number of years of healthy living is to identify personal health risks, adopt healthy lifestyle habits, and use detection and treatment services effectively.

DEPARTMENT OF HEALTH AND SENIOR SERVICES

POLICY SUMMARY (Continued)

Some performance measures the Department of Health and Senior Services uses to evaluate its goal of preventing or controlling communicable and chronic diseases follow:

	1999	2000	2001
Percentage of two-year-old children immunized	76%	79%	79%
Rate of chlamydia infections per 100,000 population	244.2	240.4	255.1
Rate of gonorrhea per 100,000 population	149.7	158.8	159.5
Rate of AIDS per 100,000 population	8.0	7.5	6.8
Percentage of people age 65 or older immunized for influenza	68%	70%	67.5%
Percentage of people age 65 or older immunized for pneumococcal disease	53%	56%	56%
Rate of heart disease per 100,000 population*	302.6	288.3	272.6
Rate of all cancer per 100,000 population*	210.6	205.6	206.5
Percentage of adults currently smoking**	27.1%	27.2%	25.9%

*Heart disease and cancer rates are adjusted for age using the United States 2000 standard million population.

**The 2001 percentage of adults currently smoking is a preliminary figure.

DEPARTMENT OF HEALTH AND SENIOR SERVICES

HEALTH ADMINISTRATION

The department's central administration is responsible for cost-effective implementation of Missouri's public health programs and provides administrative support to the Director's Office and all other Department of Health and Senior Services divisions. Responsibilities and services include budgeting, accounting, expenditure control, purchasing, contract and grant administration, internal auditing, and general office support. Administration staff also supports the work of the State Board of Health, which advises the director in the planning and operation of the department. The Office of Epidemiology investigates and assists others with public health issues.

The State Public Health Laboratory performs analysis of samples from newborns for metabolic conditions; conducts tests of human samples for agents suspected in disease outbreaks; and performs tests for tuberculosis, HIV, sexually transmitted diseases, rabies, immunizable diseases, and other diseases. The laboratory also conducts tests of public and private water supplies, performs screenings for childhood lead poisoning, and examines milk and food suspected of causing disease outbreaks.

Fiscal Year 2004 Governor's Recommendations

- \$1,097,000 federal funds core reallocated from the Center for Emergency Response and Bioterrorism to the Division of Administration for the indirect cost allocation.
- \$639,677 and 18.6 staff from the Division of Senior Services Administration to the Office of the Director, including \$287,282 general revenue.
- \$413,479 core reallocated from Home and Community Services to the Division of Administration, including \$209,371 general revenue.
- \$367,728 and 11.5 staff core reallocated from Institutional Services to the Office of the Director, including \$302,842 general revenue.
- \$364,096 and eight staff core reallocated from Home and Community Services to the Office of the Director, including \$89,042 general revenue.
- \$84,558 core reallocated from the Division of Health Standards and Licensure to the Division of Administration, including \$22,998 general revenue.
- \$80,455 for pay plan, including \$51,377 general revenue.
- (\$948,291) and (4.5) staff in core reductions from the Fiscal Year 2003 appropriation level, including (\$448,291) general revenue.
- (\$461,165) and (four) staff in one-time expenditures, including (\$17,810) general revenue.
- (\$133,912) federal funds and (1.5) staff core reallocated from the State Public Health Laboratory to the Center for Emergency Response and Bioterrorism for the Health Alert Network Grant.
- (\$102,163) federal funds and (1.1) staff core reallocated from the Office of the Director to the Center for Emergency Response and Bioterrorism for the Health Alert Network Grant.

CENTER FOR HEALTH INFORMATION MANAGEMENT AND EVALUATION

The Center for Health Information Management and Evaluation is responsible for collecting, analyzing, and distributing data that promotes better understanding of health problems and the unmet health needs of Missourians. The center collects and reports on births and deaths, disease and injury incidence, and hospital and nursing home information. Copies of birth and death records are issued to Missourians, and consumer guides on hospital costs are published. The Office of Information Systems provides support for the department's statewide data network and computer database applications.

Fiscal Year 2004 Governor's Recommendations

- \$31,410 for pay plan, including \$12,734 general revenue.
- (\$501,033) federal funds and (four) staff core reallocated to the Center for Emergency Response and Terrorism for the Health Alert Network Grant.
- (\$477,690) and (six) staff in core reductions from the Fiscal Year 2003 appropriation level.
- (\$125,329) federal funds and (15.11) staff in core reductions of excess federal appropriation authority from the Fiscal Year 2003 appropriation level.
- (\$74,858) federal funds transferred to the Office of Administration for fringe benefits.

DEPARTMENT OF HEALTH AND SENIOR SERVICES

CENTER FOR LOCAL PUBLIC HEALTH SERVICES

The Center for Local Public Health Services coordinates the Department of Health and Senior Services' partnership with local public health agencies to improve the health of all Missourians. The center develops tools, policies, and strategies to strengthen public health and assists in professional training and development for public health professionals throughout the state. The center is active in defining the core public health roles and activities and in building the capacity to carry them out at the local level. Some of these activities include inspecting restaurants, monitoring and investigating communicable diseases and environmental health threats, and promoting community health awareness.

Fiscal Year 2004 Governor's Recommendations

- \$1,224 for pay plan, including \$1,023 general revenue.
- (\$74,696) and (one) staff in core reductions from the Fiscal Year 2003 appropriation level.

CENTER FOR EMERGENCY RESPONSE AND TERRORISM

The Center for Emergency Response and Terrorism has been created to prepare the state in the event that an act of terrorism occurs in or around Missouri. The center is funded with the federal funds awarded to the state through the Public Health Preparedness and Response for Bioterrorism and the Bioterrorism Hospital Preparedness Grants. In Fiscal Year 2003 the center received an appropriation of \$18,758,646 federal funds and 48 staff. The state is to complete readiness assessment and preparedness planning. The center is responsible for evaluating the state's capacity for disease surveillance and epidemiology capacity and for identifying improvements so that there is a statewide public health infrastructure available full time that will be capable of coordinating and quickly evaluating disease outbreaks and potential bioterrorist incidents. The center evaluates the capacity of laboratories in the state to assist in this effort. The education and training of health professionals and volunteers is a crucial activity that aims to improve the skills of everyone involved in emergency response and risk evaluation and management. The center also maintains the Health Alert Network and coordinates the dissemination of information to the public.

Fiscal Year 2004 Governor's Recommendations

- \$10,965,112 federal funds and seven staff to expand the Center for Emergency Response and Terrorism since additional funding for these efforts has been awarded to Missouri.
- \$501,033 federal funds and four staff core reallocated from the Center for Health Information and Evaluation Laboratory for the Health Alert Network Grant.
- \$133,912 federal funds and 1.5 staff core reallocated from the State Public Health Laboratory for the Health Alert Network Grant.
- \$102,163 federal funds and 1.1 staff core reallocated from the Office of the Director for the Health Alert Network Grant.
- (\$1,097,000) federal funds core reallocated to the Division of Administration for indirect cost allocations.

CENTER FOR HEALTH IMPROVEMENT

The Center for Health Improvement provides technical assistance and resources to communities in an effort to improve the health status of Missouri's citizens. The center works with communities by helping them to assess the health care needs in their area and to determine the resources needed to meet these needs. The center then acts as an advocate and a liaison to federal, state, and local governments and agencies by identifying the resources available at each level for meeting these needs. The Community Health Assistance Resource Team (CHART) Program provides technical assistance to communities to improve health status. Another program to improve health status is the Primary Care Resource Initiative for Missouri (PRIMO) Program that provides incentives to encourage physicians, dentists, and nurses to practice in underserved areas of the state through health profession loan programs, advanced training programs, and professional development opportunities.

Fiscal Year 2004 Governor's Recommendations

- \$3,047 for pay plan, including \$1,295 general revenue.
- (\$135,531) core reduction from the Fiscal Year 2003 appropriation level.
- (\$9,315) federal funds for one-time expenditures.

DEPARTMENT OF HEALTH AND SENIOR SERVICES

DIVISION OF ENVIRONMENTAL HEALTH AND COMMUNICABLE DISEASE PREVENTION

The Division of Environmental Health and Communicable Disease Prevention provides services that focus on disease prevention and control. The division performs surveillance and epidemiological services for a wide range of communicable and zoonotic diseases and environmental induced conditions. It provides diagnosis and treatment of tuberculosis, HIV/AIDS, and sexually transmitted diseases, and administers the immunization program. The division also prevents and controls disease due to environmental factors through enforcement of community sanitation standards, control of hazardous substances, and assessment of environmental health risks.

Fiscal Year 2004 Governor's Recommendations

- \$37,335 for pay plan, including \$14,915 general revenue.
- (\$2,209,499) and (12.95) staff in core reductions from the Fiscal Year 2003 appropriation level.
- (\$835,593) and (two) staff for one-time expenditures, including (\$600) general revenue.

DIVISION OF MATERNAL, CHILD AND FAMILY HEALTH

The Division of Maternal, Child and Family Health provides statewide leadership to the public and private sectors in the design and integration of health delivery systems for women, children, and families in Missouri. The division formulates policy and recommends standards to assure quality of care. It connects localities with school health, family planning, prenatal substance abuse, and special health care needs services. The division is responsible for the appropriations for maternal and child health block grant, genetics services, head injury services, family planning contracts, alternative services to minimize abortions, school health grants, children with special health care needs program, sexual assault prevention, and the blindness education program. The division offers a toll-free telephone number (1-800-TEL-LINK) that refers women and their families to Medicaid, prenatal care, and other services.

Fiscal Year 2004 Governor's Recommendations

- \$30,753 for pay plan, including \$14,026 general revenue.
- (\$3,300,000) federal funds in core reductions of excess appropriation authority from the Fiscal Year 2003 appropriation level.
- (\$2,106,813) and (6.5) staff in core reductions from the Fiscal Year 2003 appropriation level.
- (14.46) staff in core reductions from the Fiscal Year 2003 appropriation level.

DIVISION OF NUTRITIONAL HEALTH AND SERVICES

The Division of Nutritional Health and Services provides numerous services statewide that are focused on improving the nutritional intake of all Missourians. This is especially important for children whose physical growth, mental development, and health are so dependent on good nutrition. The division provides food security through the Women, Infants, and Children Supplemental Food Program; the Child and Adult Care Food Program; the Summer Food Program; and the Farmers' Market Nutrition Program. The division also collaborates with other nutrition-based organizations to provide information to child and adult care program providers, teachers, students, and health care professionals. It also provides information and support to food program participants, including pregnant women who want to breastfeed their babies.

Fiscal Year 2004 Governor's Recommendations

- \$16,524 for pay plan, including \$1,379 general revenue.
- (\$4,410,296) federal funds in core reductions of excess appropriation authority from the Fiscal Year 2003 appropriation level.
- (\$32,574) and (.6) staff in core reductions from the Fiscal Year 2003 appropriation level.
- (\$23,400) federal funds for one-time expenditures.

DIVISION OF CHRONIC DISEASE PREVENTION AND HEALTH PROMOTION

The Division of Chronic Disease Prevention and Health Promotion administers programs to prevent and control chronic diseases such as heart disease, cancer, diabetes, osteoporosis, and arthritis through research, screening, behavioral intervention, and community health education activities. The division develops and coordinates community-based health promotion projects; administers the Tobacco Use Prevention Program that is aimed at reducing tobacco usage; conducts cancer control and prevention activities; coordinates an organ donor registry; provides no-cost mammograms and pap smears to uninsured women; and performs, as part of a national effort, a monthly survey on health behaviors of Missourians.

DEPARTMENT OF HEALTH AND SENIOR SERVICES

DIVISION OF CHRONIC DISEASE PREVENTION AND HEALTH PROMOTION (Continued)

Fiscal Year 2004 Governor's Recommendations

- \$11,256 for pay plan, including \$2,593 general revenue.
- (\$400,000) federal funds in core reductions of excess appropriation authority from the Fiscal Year 2003 appropriation level.
- (\$16,333) core reduction from the Fiscal Year 2003 appropriation level.
- (\$14,789) organ donation fund transferred to the Office of Administration for fringe benefit costs.
- (13) staff other funds in core reductions of excess appropriation authority from the Fiscal Year 2003 appropriation level.

DIVISION OF HEALTH STANDARDS AND LICENSURE

The Division of Health Standards and Licensure assures that products or services directly affecting public health meet minimum health safety standards. It licenses and inspects hospitals, nursing homes, home health agencies, hospices, ambulance services, radiation equipment, ambulatory surgical centers, lead abatement projects, and childcare facilities. The division also licenses emergency medical technicians, paramedics, and lead abatement professionals and regulates and investigates pharmacists and others who handle controlled substances.

Fiscal Year 2004 Governor's Recommendations

- \$68,496 and two staff core reallocated from the Division of Senior Services Administration to consolidate all inspection services in this division, including \$30,859 general revenue.
- \$212,996 for pay plan, including \$95,088 general revenue.
- (\$2,134,462) federal funds transferred to the Department of Social Services for the childcare improvement program.
- (\$367,728) and (11.5) staff core reallocated to the Office of Director, including (\$302,842) general revenue.
- (\$84,558) federal and other funds core reallocated to the Division of Health Administration, including (\$22,998) general revenue.
- (\$50,000) core reduction from the Fiscal Year 2003 appropriation level.

SENIOR SERVICES

The Division of Senior Services administers programs to ensure that a comprehensive, effective, and coordinated service delivery system is available for Missouri's elderly. Home and community services personnel provide direct care and contracted services to Missouri's elderly. Case management, counseling, information and referral, congregate and home-delivered meals, transportation, and abuse prevention/protection services enable thousands of elderly residents to live dignified, independent lives.

Fiscal Year 2004 Governor's Recommendations

- \$4,000,000 and 75 staff transferred from the Department of Social Services, including \$1,000,000 general revenue.
- (\$639,677) and (18.6) staff core reallocated to the Office of the Director, including (\$287,282) general revenue.
- (\$413,479) core reallocated to the Division of Administration, including (\$209,371) general revenue.
- (\$364,096) and (eight) staff core reallocated to the Office of the Director to consolidate all administrative functions, including (\$89,042) general revenue.
- (\$100,000) for one-time expenditures.
- (\$68,496) and (two) staff core reallocated to the Division of Health Standards and Licensure to consolidate all inspection services, including (\$30,859) general revenue.
- (37) staff federal funds in core reductions of excess appropriation authority from the Fiscal Year 2003 appropriation level.

DEPARTMENT OF HEALTH AND SENIOR SERVICES

MISSOURI SENIOR Rx PROGRAM

In response to the exorbitant cost of medications, the Governor proposed and the General Assembly approved the Missouri Senior Rx Program in the Special Session of 2001. The program provides prescription assistance to low-income seniors. The newly appointed commission approved plans to contract for certain necessary services such as selecting a third-party administrator, outreach, processing applications, and determining eligibility. At the midpoint of Fiscal Year 2003, about 22,000 seniors were participating in the program. Participation is expected to double during the next fiscal year.

Fiscal Year 2004 Governor's Recommendations

- \$1,824 Missouri senior Rx fund for pay plan.
- (\$13,647,076) and (three) staff Missouri senior Rx fund core reduction from the Fiscal Year 2003 appropriation level.
- (\$5,870) Missouri senior Rx fund for one-time expenditures.

MISSOURI HEALTH FACILITIES REVIEW COMMITTEE

The Missouri Health Facilities Review Committee implements the Certificate of Need Program in Missouri. The purpose of the Certificate of Need Program is health care cost containment through the prevention of unnecessary duplication of health care services. This program provides staff assistance and support for the review committee. The committee reviews proposals to develop or offer new institutional health services and issues certificates for those services determined to be needed.

Fiscal Year 2004 Governor's Recommendations

- \$612 for pay plan.
- (\$15,272) and (2.5) staff in core reductions from the Fiscal Year 2003 appropriation level.

DEPARTMENT OF SOCIAL SERVICES

FINANCIAL SUMMARY

	FY 2002 EXPENDITURE	FY 2003 APPROPRIATION	FY 2004 REQUEST	GOVERNOR RECOMMENDS FY 2004
Office of Director/Administrative Services	\$ 58,253,861	\$ 78,117,109	\$ 79,238,021	\$ 77,689,220
Family Support Division	590,508,533	611,359,635	606,780,481	497,903,846
Children's Division	408,536,670	406,114,726	421,122,332	502,235,255
Division of Youth Services	58,350,099	60,524,371	60,524,371	60,996,939
Division of Medical Services	4,438,770,640	4,204,373,949	4,642,324,420	4,475,630,575
DEPARTMENTAL TOTAL	\$ 5,554,419,803	\$ 5,360,489,790 *	\$ 5,809,989,625	\$ 5,614,455,835
General Revenue Fund	1,170,247,366	1,071,317,737	1,379,057,898	1,252,180,857
Federal Reimbursement Allowance Fund	449,100,452	520,589,286	590,823,842	590,823,842
Pharmacy Reimbursement Allowance Fund	0	55,392,482	1,687,788	55,392,482
Title XIX - Federal and Other Funds	2,449,952,834	2,325,844,271	2,567,093,989	2,465,507,073
Federal and Other Funds	564,077	575,000	575,000	575,000
Nursing Facility Federal Reimbursement Allowance Fund	183,149,454	192,000,000	192,000,000	192,000,000
Temporary Assistance for Needy Families - Federal Funds	168,238,357	170,709,649	168,864,078	154,762,878
DSS - Federal and Other Funds	539,471,350	559,363,257	573,995,848	567,481,270
Uncompensated Care Fund	87,900,000	87,900,000	87,900,000	87,900,000
Pharmacy Rebates Fund	43,301,371	48,110,449	48,110,449	48,110,574
Third Party Liability Collections Fund	22,638,257	14,461,812	15,211,812	15,215,458
Intergovernmental Transfer Fund	280,330,326	155,390,420	33,000,000	33,000,000
Division of Family Services Donations Fund	103,696	134,000	134,000	134,000
Division of Aging Donations Fund	0	1,000	0	0
Child Support Enforcement Collections Fund	14,329,694	17,275,922	17,275,922	13,737,405
Nursing Facility Quality of Care Fund	140,558	80,655	80,655	81,185
Health Initiatives Fund	18,349,899	19,989,021	20,303,613	20,306,972
Gaming Commission Fund	449,875	500,000	500,000	500,000
DSS Administrative Trust Fund	5,430,037	6,229,332	6,229,332	6,229,379
DSS Educational Improvement Fund	3,850,432	4,704,509	4,704,509	6,227,749
Blind Pension Fund	18,336,971	19,482,372	21,619,596	23,246,974
Tort Victims' Compensation Fund	750,000	0	0	0
Healthy Families Trust Fund-Health Care Treatment and Access Account	69,255,508	50,959,100	50,959,100	50,959,100
Healthy Families Trust Fund-Early Childhood Care and Education Account	4,790,781	0	0	0
Legal Services for Low-Income People Fund	750,000	1,010,830	1,010,830	1
Youth Services Treatment	0	1,000	1,000	1,000
Early Childhood Development, Education and Care Fund	12,344,758	28,218,186	14,845,424	16,077,696
Premium Fund	302,333	1,082,500	4,837,940	4,837,940
Alternative Care Trust Fund	10,341,417	9,167,000	9,167,000	9,167,000
Full-time equivalent employees	9,464.95	9,273.27	9,213.27	9,037.29

* Does not include \$237,456,216 recommended in Fiscal Year 2003 Supplemental Appropriations, including \$67,142,582 general revenue. See the Supplemental section of the Missouri Budget for details regarding the Department of Social Services supplemental appropriations.

DEPARTMENT OF SOCIAL SERVICES

POLICY SUMMARY

Governor Holden's Fiscal Year 2004 budget provides a total of \$5.6 billion for the Department of Social Services to provide support for Missouri's most vulnerable populations.

A weakened economy and considerable growth in mandatory programs like Medicaid has resulted in the most significant challenge the state has faced since the Depression. The Fiscal Year 2004 budget includes substantial core reductions. However, the budget also recognizes that the state cannot cut its way out of the current fiscal problems without severely reducing essential services provided to Missourians. General revenue budget increases have been limited to mandatory programs. Governor Holden's priorities are protecting the state's investment in education and ensuring that our most vulnerable citizens – children, the elderly, and disabled – are shielded to the greatest extent possible from budget reductions.

A struggling child welfare system furthers the challenges for the state and the Department of Social Services. In Fiscal Year 2004 Governor Holden's budget includes a complete reorganization of the Department of Social Services family support and child protective functions, and flexibility to implement privatization in the newly created Children's Division and the Family Support Division. Core reductions for the department, including Medicaid cost containment measures, are also recommended to ensure a balanced budget for Fiscal Year 2004. The Governor has protected vital programs providing services to children and youth from these reductions.

REORGANIZATION AND PRIVATIZATION

Governor Holden's social services budget for Fiscal Year 2004 includes a reorganization of the services provided by the department affecting the welfare of Missouri's families and the protection of Missouri's children. This reorganization includes eliminating the Division of Child Support Enforcement, transferring the child support collection contract to the Department of Revenue, transferring workforce development functions to the Department of Economic Development, and creating a new Children's Division focused on protecting children.

Currently child welfare programs are just one focus, along with Medicaid and income assistance eligibility, of the large Division of Family Services. Governor Holden believes children entrusted to the state deserve the attention, priority, and care of a stand-alone Children's Division. In Fiscal Year 2002 Missouri children in the foster care system spent an average of 26.15 months in out-of-home care, resulting in decreased quality of life for these children and an increased cost to the state. To ensure the needs of these children are met, Governor Holden is encouraging the Children's Division to explore additional opportunities to privatize direct services for children with community agencies and non-profit organizations. Missouri presently dedicates \$22.9 million to privatized services for children including: resource contracts, case management, interdepartmental initiatives, family reunification services, and intensive in-home services. Focusing a single division on the welfare of children, the services, and lives of Missouri's children will be improved.

Reassigning the Division of Child Support Enforcement to other divisions, based on function, will improve the self-reliance of families collecting child support. Transferring collections to the Department of Revenue, workforce development to the Department of Economic Development, and remaining functions to the Family Support Division allows Governor Holden to eliminate the Division of Child Support Enforcement. By relocating these functions with the agencies that perform these operations on a regular basis, Governor Holden can limit bureaucracy and provide those both paying and collecting child support the assistance they need to meet their financial obligations, resulting in a decreased need for Medicaid benefits or Temporary Assistance.

The Department of Economic Development has valuable ties in communities statewide and has proven to provide the best services for gaining and retaining employment for Missourians. Due to this fact, Governor Holden recommends the transfer of workforce functions to the Department of Economic Development. Reassigning the workforce preparation and training functions for Missouri's Temporary Assistance clients ensures that Missouri citizens who are receiving these income maintenance benefits get the skills necessary to obtain and retain employment and gain financial independence. In Fiscal Year 2002 the Department of Economic Development, through job training and use of local workforce investment boards, moved 24,873 Missourians from below the poverty level to self-sufficiency.

Finally, Governor Holden recommends replacing the Division of Family Services with a focused Family Support Division that will maintain all income maintenance functions and include the child support orders and locate function of the eliminated Division of Child Support Enforcement. Focusing solely on family support, eligibility services will be streamlined and families owed child support will become more self-sufficient.

In order to provide the best possible services to Missouri's children and families, Governor Holden recommends:

- \$502.2 million reallocated from the Division of Family Services for the new Children's Division.
- \$3.5 million reinvested in the workforce programs due to transfer of programs and elimination of staff.
- Flexible appropriations language allowing both the Children's and Family Support divisions to privatize direct services.

DEPARTMENT OF SOCIAL SERVICES

POLICY SUMMARY (Continued)

Some performance measures that will be used to evaluate the effectiveness of this reorganization for children, TANF clients entering the workforce, and child support collections:

	FY 2002	FY 2003	FY 2004
Families Served Through Family Reunification	264	264	264
Families Receiving Intensive In-Home Services	1,562	1,700	1,700
Children Moving from Foster Care to Permanent Placements	7,223	7,288	7,354

MEDICAID COST CONTROLS

The Centers for Medicare and Medicaid Services (CMS) continues to predict health care spending will grow faster than gross domestic product (GDP). In addition, the current recession and rising unemployment have contributed to increased enrollment in the Medicaid Program. Because of rising health care costs and the crisis Missouri is currently experiencing associated with stagnant revenues, the Governor's budget includes numerous cost containment measures to curtail escalating Medicaid expenditures. Even with the implementation of these cost containment efforts in the state's Medicaid Program, Governor Holden continues to be committed to ensuring children continue to receive access to vital health care coverage through the Medicaid Program. No child will lose health insurance coverage as a result of these cost control efforts. Fiscal Year 2004 cost control efforts include:

Pharmacy cost containment: Current publications in pharmacy benefit management resources indicate the rate of increase for prescription drug programs in calendar year 2004 to be about 14 percent. These increases are attributable to the price and mix of the products dispensed and the increased number of prescriptions utilized. The mix refers to new therapies replacing old therapies and new therapies not previously available to treat a specific disease. In order to control these increased costs, Governor Holden recommends several measures. The Division of Medical Services will secure federal approval and implement a preferred drug list with supplemental rebates. The Governor also recommends continuation of the pharmacy provider tax. The federal government only approved the current method of taxing for one year. For Fiscal Year 2004 legislation will be proposed to align the tax so it is in compliance with the partnership agreement between Missouri and the Centers for Medicare and Medicaid Services. Expanding step therapy will ensure that Medicaid recipients receive the most medically appropriate prescriptions. In addition, enacting copayments for prescriptions and reducing ingredient reimbursement are recommended. These changes are consistent with private industry practice and cost containment efforts undertaken by other states. Estimated savings in Fiscal Year 2004 for all pharmacy cost containment proposals are \$81.9 million.

Copayments for medical services: Governor Holden recommends copayment requirements on recipients receiving medical services in the Medicaid program. Nominal copayments should encourage prudent use of services and is consistent with private industry practice and cost containment efforts undertaken by other states. Estimated savings in Fiscal Year 2004 are \$46.8 million.

Eliminating optional Medicaid services for adults: Although Missouri has opted to cover dental services for adults in the Medicaid system in the past, it has become necessary to end coverage provided for this optional Medicaid service. Estimated savings in Fiscal Year 2004 are \$14.5 million.

Reducing non-emergency transportation costs: As a method to generate some additional savings in the Medicaid Program, the Division of Medical Services will discontinue the existing contract as of June 30, 2003, and rebid to better control costs. Estimated savings in Fiscal Year 2004 are \$12 million.

Prior authorization of optional services: Limits through prior authorization will be placed on counseling and therapeutic services provided through the Medicaid Program. This is consistent with current practices requiring prior authorization on prescriptions and the processes applied by private insurance providers. Estimated savings for Fiscal Year 2004 are \$3.6 million.

DEPARTMENT OF SOCIAL SERVICES

POLICY SUMMARY (Continued)

In order to address caseload growth and inflationary increases for health care services, the Governor's Fiscal Year 2004 budget includes:

- \$216.3 million for the additional anticipated costs of existing Medicaid programs to ensure that all program cores are sufficiently funded to meet projected expenditures.
- \$140.6 million for increased costs and utilization of pharmacy prescriptions by the elderly and those with disabilities, and other anticipated increases.
- \$112.4 million for anticipated caseload increases in Medicaid programs.
- \$65.0 million to replace one-time intergovernmental transfer funding in various Medicaid programs.
- \$25.8 million to provide a trend factor for managed care of 6.8 percent in the eastern and central regions and a 7.0 percent blended rate in the western region.
- \$24.6 million for the remaining months of the Fiscal Year 2003 managed care trend factor.
- \$8.6 million to replace one-time hospital provider tax funding for managed care. In Fiscal Year 2003 a total of \$30 million one-time hospital provider tax was appropriated. In Fiscal Year 2004 an increase to the hospital provider tax will replace a majority of the one-time funds.
- \$7.7 million to provide reimbursement to psychologists that serve Medicaid eligible adults as a result of a recent lawsuit.
- \$5.3 million to compensate for anticipated increases in Medicare Part A & B premiums.

**DEPARTMENT OF SOCIAL SERVICES
DEPARTMENTAL ADMINISTRATION**

ADMINISTRATIVE SERVICES

Departmental Administration includes the director, the director's staff, and the personnel and labor relations section. The director sets policy for the department and ensures implementation of its mandates. The personnel and labor relations section administers a personnel program and human resource management system to serve the department's employees.

The Division of Budget and Finance prepares the department's budget requests, financial reports, and all fiscal notes. Other responsibilities include maintenance of support mechanisms to ensure timely payments to clients, vendors and staff, and timely receipt and disposition of the department's revenues.

The Division of General Services provides a variety of services that support the operations of the department, including working with all communications systems, providing necessary minor office renovations, coordinating the inventory and distribution of office equipment and furniture, and processing requests for lease or purchase of equipment and services.

The Division of Legal Services is responsible for providing legal services for all of the divisions within the department, providing due process hearings for recipient appeals, investigating fraud and abuse of public assistance programs, conducting background investigations on department employees prior to employment, designing and obtaining management reports on fraud collections, and ensuring compliance with the United States Department of Agriculture and the United States Department of Health and Human Services' requirements relating to discrimination complaints.

The Information Services and Technology Division is responsible for the development, maintenance, and operation of the department's data processing system. The division processes data on recipients and vendors, prints checks and vendor payments, and provides management reports to other divisions in the department.

Fiscal Year 2004 Governor's Recommendations

- \$1,000,000 federal funds for contractors who assist the department with revenue maximization projects.
- \$370,000 cost-to-continue the Fiscal Year 2003 supplemental appropriations payments to counties for neglected and delinquent children.
- \$100,546 and three staff core reallocated from the Family Support Division for the Child Fatality Review Board, including \$40,845 general revenue.
- \$104,907 for pay plan, including \$69,734 general revenue.
- \$1,912 transferred from Statewide Leasing for parking leases, including \$1,128 general revenue.
- (\$2,005,254) and (5.84) staff in core reduction from the Fiscal Year 2003 appropriation level for legal aid grants, administrative expenses, and empty authority, including (\$714,014) general revenue.

**DEPARTMENT OF SOCIAL SERVICES
FAMILY SUPPORT DIVISION**

ADMINISTRATIVE SERVICES

Administrative Services provides management, coordination, and general direction to all Family Support programs. The division director and staff monitor the efficiency and effectiveness of Income Maintenance and Child Support programs, develop the division's five-year plan, train supervisory and line staff, monitor contracts, review federal regulations, develop state regulations, and coordinate all fiscal reporting tasks for the division.

Fiscal Year 2004 Governor's Recommendations

- \$14,909,316 and 223.16 staff core reallocated from the Division of Family Services and the Division of Child Support Enforcement for the creation of the new Family Support Division, including \$1,541,538 general revenue.
- \$1,291,271 to fund the Electronic Benefits Transfer contract, including \$816,471 general revenue.
- \$554,366 and 15 staff to implement the federally mandated National Medical Support Notice to enforce health care coverage by non-custodial parents in child support orders, including \$188,484 general revenue.
- \$307,670 federal funds for the Child Support Lien Network to increase collections of child support by matching insurance claim settlements and personal injury claims.
- \$2,082,025 for pay plan, including \$385,426 general revenue.
- \$43,498 transferred from Statewide Leasing for parking leases, including \$25,662 general revenue.
- (\$178,206,090) and (5,348.75) staff core reallocated from the Division of Family Services administration, including (\$57,864,650) general revenue.
- (\$3,451,996) federal funds transferred from the Division of Family Services to the Department of Economic Development, the Division of Workforce Development, for TANF workforce development functions.
- (\$1,576,000) federal and other funds one-time core reduction for Electronic Benefit Transfer contract implementation.
- (\$1,000,000) federal and other funds one-time core reduction for spenddown system changes.
- (\$100,546) and (three) staff core reallocated for the Child Fatality Review Board in the Division of Family Services, including (\$40,845) general revenue.
- (\$43,925) one-time core reduction for presumptive Medicaid eligibility for children, including (\$28,590) general revenue.

INCOME MAINTENANCE

Staff Services conducts day-to-day operations of Income Maintenance for Temporary and Needy Families (TANF) and child support recipients. Funds in these sections support income maintenance workers and child support technicians, administrative and supervisory staff, and clerical support positions in Family Support offices.

Temporary Assistance for Needy Families (formerly Aid to Families With Dependent Children) – TANF is a program designed to provide assistance to families so parents are not dependent on welfare payments and children do not grow up in poverty. Under federal welfare reform in 1996, TANF was designed to be a temporary assistance which, coupled with a myriad of other support services, would enable parents to find and retain employment, thereby enabling them to support their families without government assistance. Missouri continues to implement new, innovative programs designed to meet the diverse needs of TANF recipients.

Adult Supplementation – The federal government assumed responsibility for Old Age Assistance, Aid to the Permanently and Totally Disabled, and Aid to the Blind programs in January 1974 when it created the Supplemental Security Income (SSI) Program. Recipients who are eligible for SSI, but who receive smaller benefits than their December 1973 payments, receive payments from the state equal to the difference. Recipients who are not eligible for SSI, but who received payments under one of the earlier programs, receive payments from the state equal to the amount they received in December 1973. The caseload has been declining since 1973 as recipients die, become ineligible through income changes, or leave the state.

Grandparents as Foster Parents – Caring for a grandchild often places additional financial, social, and psychological strain on grandparents with fixed incomes. Grandparents as Foster Parents was established to provide payments to grandparents who have either legal guardianship or legal custody of their minor grandchildren.

Nursing Care – This state-funded program makes monthly cash payments to residents of nursing and residential care homes who are eligible for Medicaid, but occupy a facility not certified for Medicaid, or who receive care in a Residential Care I or II facility. The type of facility appropriate for clients is to a great extent dictated by their level of need for care. Minimal medical care is provided in Residential Care I, more in Residential Care II, and significantly more in Intermediate Care. Supplemental Nursing Care recipients also are provided an allowance each month for personal needs such as toiletries, transportation, and hair care.

**DEPARTMENT OF SOCIAL SERVICES
FAMILY SUPPORT DIVISION**

INCOME MAINTENANCE (Continued)

Blind Pension and Supplemental Aid to the Blind – Three separate programs assist blind persons. The first, Supplemental Aid to the Blind, pays benefits to those who meet certain income requirements. The second, Blind Pension, aids the blind that do not qualify for Supplemental Aid to the Blind and who do not own property – excluding homes – worth more than \$20,000. Currently both programs provide a maximum monthly grant of \$398 unless the claimant qualifies for a higher payment by residing in a licensed nursing home. The third program, Adult Supplemental Payments, aids those who received state assistance before the federal SSI Program began in 1974, but who receive less from SSI than from the earlier program. New cases that meet the state's 1973 guideline also may be certified for assistance. All of these programs are funded from an earmarked state property tax that provides revenue to the blind pension fund.

Community Services Block Grant (CSBG), Emergency Shelter Grants, Homeless Funding, and Refugee Assistance – CSBG funds are used to strike at six causes of poverty: unemployment, inadequate education, malnutrition, inadequate housing, unmet emergency needs, and poor use of income. Federal statutes require that 90 percent of CSBG funding be passed through to Community Action Agencies. The Emergency Shelter Grants Program provides grants to local governments to be used for renovation or conversion of buildings for emergency shelters and to help meet the cost of emergency shelter operations. Homeless Challenge Grants offer local communities matching funds to establish programs to combat homelessness. The Refugee Assistance Program provides services to help refugees overcome language barriers, acquire or adapt vocational skills, and adjust to their new environment.

Surplus Food Distribution – The federally funded Surplus Food Distribution Program enables Family Support to store, ship, and distribute processed surplus commodity food to eligible individuals, families, charitable institutions, and organizations.

Energy Assistance – The Low-Income Home Energy Assistance Program (LIHEAP) is a federally funded block grant, which provides heating assistance payments, crisis assistance, and weatherization services to low-income households.

Fiscal Year 2004 Governor's Recommendations

- \$92,769,074 and 3,071.37 staff core reallocated from the Division of Family Services field and line staff, including \$27,989,647 general revenue.
- \$3,540,191 federal funds cost-to-continue the Fiscal Year 2003 supplemental appropriations for the Community Services Block Grant Program.
- \$1,223,424 other funds to increase the blind pension benefit payment by \$27 per month.
- \$1,143,585 federal funds transferred from the Office of Administration to the TANF Program for fringe savings from reducing staff and transferring workforce development functions to the Department of Economic Development, the Division of Workforce Development.
- \$710,590 core reallocated from the Division of Family Services for family support staff training, including \$545,999 general revenue.
- \$563,800 other funds for caseload growth in the Blind Pension Program.
- \$350,000 other funds cost-to-continue the Fiscal Year 2003 supplemental appropriations payments due to caseload growth for the Blind Pension Program.
- (\$14,128,085) transferred to the Department of Economic Development, the Division of Workforce Development, for the Direct Client Services Program, including (\$2,000,000) general revenue.
- (\$6,290,000) federal and other funds core reduction resulting in elimination of the General Relief Program.
- (\$4,016,201) other funds core reduction for the Community Partnership Program, resulting from the loss of one-time revenue.
- (\$1,800,000) federal funds transferred to the Department of Economic Development, the Division of Workforce Development for Food Stamp Training Program.
- (\$1,143,585) core reduction from the TANF Program, this cut is offset with the transfer from the Office of Administration due to reduced fringes.
- (\$480,343) core reduction from the Fiscal Year 2003 appropriation level for the Missouri Mentoring Partnership Program.
- (\$40,000) core reduction in the Adult Supplementation Program due to caseload decline.
- (\$14,977) core reduction from the Fiscal Year 2003 appropriation level for administrative services.
- (106) staff core reduction due to the reinvestment of personal service dollars as a result of the TANF workforce development function being transferred to the Department of Economic Development, the Division of Workforce Development.

**DEPARTMENT OF SOCIAL SERVICES
FAMILY SUPPORT DIVISION**

SERVICES FOR THE BLIND

Professional staff in Rehabilitation Services for the Blind counsel and train blind and other visually impaired Missourians, arranges for the purchase of other services, and help the blind find jobs. Services include rehabilitation, vocational rehabilitation, diagnosis and treatment of eye disease, equipment and supplies for blind preschool children, the Public Building Vending Program, and the Readers for the Blind Program.

Fiscal Year 2004 Governor's Recommendations

- \$1,239,935 other funds to replace the core reduction of programs provided for the visually impaired.
- \$387,443 other funds and 8.76 staff to replace the core reduction of the blind pension administration.
- \$2,390 transferred from Statewide Leasing for parking leases, including \$1,410 general revenue.
- (\$1,239,935) core reduction to be replaced with blind pension funds.
- (\$387,443) and (8.76) staff in core reduction to be replaced with blind pension funds.

CHILD SUPPORT ENFORCEMENT

Child support enforcement locates missing parents; helps establish paternity, medical support, and financial child support obligations; and collects and disburses support payments both for Temporary Assistance for Needy Families (TANF) and for participating non-TANF families. The state retains approximately 33 percent of all child support collected on TANF cases. The division also supports development of the Missouri Automated Child Support System (MACSS) as required by the Family Support Act of 1988.

Local Agreements – This funding supports contractual agreements with local governments to assist the division with paternity cases. Agreements also exist to assist the division with all types of child support referrals through the establishment of multi-county full service centers.

Reimbursement to Counties – This program provides reimbursement to counties that have signed a cooperative agreement with the Department of Social Services (DSS). Child support collection and prosecution costs incurred by the counties are reimbursed by the federal government at a rate of 66 percent.

Federal Reimbursement/Local Incentives – This appropriation provides a mechanism for disbursing the federal and local share of TANF child support collections received by DSS.

State Tax Refund Distribution – This appropriation provides a mechanism for reimbursing absent parents for child support payments over-collected from garnished state tax returns.

Fiscal Year 2004 Governor's Recommendations

- \$39,314,078 and 1,107.62 staff reallocated from the Division of Child Support Enforcement to set up child support orders, including \$929,365 general revenue.
- \$700,000 federal funds for reimbursements to counties for child support related expenses.
- \$67,800 transferred from Statewide Leasing for parking leases, including \$40,000 general revenue.
- (\$46,761,817) and (1,211.28) staff reallocated to the Family Support Division from the Division of Child Support Enforcement, including (\$1,028,542) general revenue.
- (\$7,875,168) and (three) staff transferred to the Department of Revenue, the Division of Taxation, for the child support collections function, including (\$909,781) general revenue.
- (\$3,426,903) federal and other funds core reduction of empty authority from the Parent's Fair Share Program.
- (\$2,281,483) federal and other funds transferred to the Department of Economic Development, the Division of Workforce Development, for the Parent's Fair Share Program.
- (\$374,180) core reduction from the Fiscal Year 2003 appropriation level for administrative services and mediation programs for child support cases.
- (\$17,568) federal and other funds and (one) staff in core reduction from Child Support Administration due to the transfer of child support collection functions to the Department of Revenue, the Division of Taxation.
- (47.63) staff from the Parent's Fair Share Program. Dollars resulting from staff core reduction have been reinvested in the Parent's Fair Share Program.

DEPARTMENT OF SOCIAL SERVICES

FAMILY SUPPORT DIVISION

	FY 2002 EXPENDITURE	FY 2003 APPROPRIATION	GOVERNOR RECOMMENDS FY 2004
Number of Families Receiving TANF (Annually)	48,992	48,775	48,775
Average Monthly Payment Per Household	\$236	\$233	\$231
Average Length of Time on TANF (Months)	21	21	21
Family Support Administration	\$ 7,335,585	\$ 12,360,245	\$ 29,928,893
Family Services Administration	184,384,886	182,759,059	0
Income Maintenance Field Staff and Operations	0	0	92,754,097
Income Maintenance Staff Training	0	0	710,590
Community Partnerships	0	18,361,942	13,865,398
Direct Client Support	13,142,615	14,128,085	0
Bootheel Project	820,000	0	0
Community Initiatives	6,674,831	0	0
Grace Hill	102,971	0	0
Lindbergh Family Center	244,908	0	0
Food Stamp Training	4,655,407	7,182,000	5,382,000
Temporary Assistance for Needy Families (TANF)	140,038,037	141,602,175	141,602,175
Grandparent Foster Care	6,714,834	7,282,030	7,282,030
Adult Supplementation	236,870	250,000	210,000
Supplemental Nursing Care	25,103,910	25,538,684	25,538,684
General Relief	8,323,278	6,290,000	0
Supplemental Security Income	2,850,098	4,000,000	4,000,000
Blind Pension	17,431,046	18,443,348	20,580,572
Refugee Assistance	3,478,628	3,812,553	3,812,553
Community Services Block Grant	15,601,833	15,603,980	19,144,171
Homeless Challenge Grant	302,916	500,000	500,000
Emergency Shelter Grants	1,292,603	1,340,000	1,340,000
Food Distribution Programs	863,052	1,000,000	1,000,000
Food Stamp Wage Supplement	6,036	0	0
Energy Assistance	35,849,806	31,794,695	31,794,695
Blind Administration	4,510,398	4,990,765	4,993,155
Services for the Visually Impaired	5,271,547	6,734,935	6,734,935
Child Support Field Staff and Operations	0	0	38,939,898
Child Support Enforcement Administration	49,363,300	54,684,995	0
Child Support Distributions	53,867,700	47,090,000	47,790,000
Parent's Fair Share Program	2,041,438	5,610,144	0
TOTAL	\$ 590,508,533	\$ 611,359,635	\$ 497,903,846
General Revenue Fund	127,218,816	131,764,313	98,675,444
Department of Social Services - Federal Funds	426,846,139	433,630,405	364,409,454
Other Funds	36,443,578	45,964,917	34,818,948

DEPARTMENT OF SOCIAL SERVICES

CHILDREN'S DIVISION

Administrative Services provides management, coordination, and general direction for all Children's Division programs. The division director and staff monitor the effectiveness of programs that promote permanency for Missouri's children. Administrative Services also trains supervisory and line staff, monitors contracts, reviews federal regulations, develops state regulations, and coordinates all fiscal reporting tasks for the division.

Staff services conducts the direct day-to-day operations of the Children's Division. Funds in the section support social service workers, administrative and supervisory staff, and clerical support positions in Children's Division offices.

Purchase of Childcare – A key to successful welfare reform is access to affordable childcare. Without childcare assistance, many parents could not participate in job training, education, or maintain employment, which would allow them to become self-sufficient and end their dependence on government assistance. In the 1998 legislative session, the General Assembly passed HB 1519. This bill created the early childhood development, education and care fund to support programs that prepare pre-kindergarten children to enter school ready to learn. The Educare Program is another important piece of the Childcare Program. It works within communities to increase a child's educational opportunities through enhanced services offered to providers and families to ensure that children will be ready to learn when they enter school.

Children's Treatment Services, Child Abuse and Neglect Grant, and Intensive In-Home Services – This program provides intensive family-centered services to child abuse victims and their parents. Specific services include family therapy, homemaker services, respite care, parent aides, childcare, crisis nursery services, and incentive subsidies to encourage local units of government to develop community programs to combat child abuse and neglect. The Family Reunification Program provides home-based services aimed at reuniting children with their families. The Family Preservation Program provides intensive, in-home services to help prevent placement of children in foster care and keep children with their families.

Foster Care, Children's Account, Adoption Subsidy, and Subsidized Guardianship – This program provides monthly room and board payments for children in the custody and care of Family Support. Current room and board rates for age groups are as follows: 0-5 years, \$227; 6-12 years, \$277; and 13 and over, \$307. Payments also are made for non-Medicaid medical and dental services, clothing, transportation, foster parent training, and other needs. Children in state custody may receive funds from a variety of sources, including SSI and child support payments. These monies are used to offset the cost of maintaining the child in foster care and to pay for any special expenses of the child. The Adoption Subsidy Program and Subsidized Guardianship Program provide financial assistance to parents who adopt special needs children.

Children's Programs Pool – In the Fiscal Year 1992 budget, a separate pool appropriation was developed for services for children and families. Each line item for the following children's programs was reduced by ten percent to create a Children's Programs Pool: Children's Treatment Services, Family Preservation, Foster Care, Adoption Subsidy, and Independent Living. This pooled appropriation allows flexible spending within these children's service areas.

Residential Treatment, Independent Living, and IV-E Court Contracts – Residential facilities are used when foster care cannot meet the children's treatment needs. The division contracts with a wide range of treatment programs ranging from small group homes to large, self-contained resident campuses. Facilities must be licensed and meet the division's standards for alternative care. Transitional/Independent Living Programs assist foster care children, ages 15 to 21, in learning the necessary skills for the transition from foster care to adult independent living in the community. IV-E Court Contracts allow Family Support to pass through federal funds to be used for reimbursement to counties for children placed in the custody of the juvenile court and who are placed in juvenile court residential facilities.

Psychiatric Diversion – This program's primary purpose is to keep children out of expensive inpatient psychiatric hospitals, while providing them with the necessary services to help them deal with their severe behavioral and emotional problems.

Domestic Violence – This program provides grants to local communities for family violence shelters or services. Grants may be used for emergency shelters, counseling, and education services for families in community-based shelters.

DEPARTMENT OF SOCIAL SERVICES

CHILDREN'S DIVISION (Continued)

Fiscal Year 2004 Governor's Recommendations

- \$69,595,894 and 2,035.62 staff core reallocated from the Family Support Division for frontline work with abuse and neglected children and staff training, including \$26,535,912 general revenue.
- \$13,372,762 to replace one-time early childhood development, education and care funding for subsidies in the Purchase of Childcare Program.
- \$7,668,955 and 122.25 staff core reallocated from the Family Support Division for administration of the Children's Division, including \$1,350,731 general revenue.
- \$6,877,571 cost-to-continue the Fiscal Year 2003 supplemental appropriations for adoption and subsidized guardianship caseload growth, including \$4,581,603 general revenue.
- \$6,865,373 for caseload growth in the Adoption and Subsidized Guardianship Program, including \$4,246,516 general revenue.
- \$1,264,662 cost-to-continue the Fiscal Year 2003 supplemental appropriations for Foster Parent Professional Parenting Maintenance, including \$686,585 general revenue.
- \$1,232,272 other funds for increases in early childhood programs.
- \$934,475 for pay plan, including, \$380,888 general revenue.
- \$2,134,462 federal funds transferred from the Department of Health and Senior Services to gain efficiencies in the Purchase of Childcare Program.
- \$270,000 federal funds transferred from the Department of Elementary and Secondary Education to gain efficiencies in the Purchase of Childcare Program.
- (\$13,372,762) other funds core reduction of one-time funding source in subsidies for the Purchase of Childcare Program.
- (\$406,468) and (four) staff transferred to the Office of Administration for a Children's Ombudsman Office, including (\$272,334) general revenue.
- (\$316,667) core reduction from the Fiscal Year 2003 appropriation level in grants provided to child assessment centers.

DEPARTMENT OF SOCIAL SERVICES

CHILDREN'S DIVISION

	FY 2002 EXPENDITURE	FY 2003 APPROPRIATION	GOVERNOR RECOMMENDS FY 2004
Average Number of Children Receiving Childcare Per Month	46,260	46,750	47,300
Individuals Served Through Children's Treatment Services (Average Per Month)	1,300	1,100	1,100
Number of Adoptions Finalized	1,372	1,300	1,300
Average Length of Time in Care Prior to Adoption (Months)	33.2	33.0	33.0
Children in Residential Treatment Centers (Average Per Month)	2,058	2,058	2,058
Children in Transitional/Independent Living (Annually)	3,000	3,000	3,000
Number of Children Receiving Psychiatric Diversion Services	1,518	1,500	1,500
Children's Administration	\$ 0	\$ 0	\$ 8,386,539
Children's Field Staff and Operations	0	0	67,748,275
Children's Staff Training	0	0	1,658,042
Children's Treatment Services	13,515,830	13,815,862	13,815,862
Foster Care	39,851,174	38,422,603	39,687,265
Adoption and Subsidized Guardianship	47,789,512	46,381,336	60,124,280
Independent Living	4,947,068	5,171,122	5,171,122
Children's Programs Pool	19,152,014	18,952,179	18,952,179
Child Assessment Centers	2,018,863	2,375,000	2,058,333
Residential Treatment Services	69,552,803	69,727,146	69,727,146
Psychiatric Diversion	16,252,651	16,252,651	16,252,651
Caring Communities	4,991,060	0	0
IV-E Court Contracts	128,129	700,000	700,000
Domestic Violence	4,893,463	5,987,653	5,987,653
Child Abuse and Neglect Grant	501,518	1,000,000	1,000,000
Foster Care Childrens Account	10,341,417	9,000,000	9,000,000
Purchase of Child Care	174,601,168	178,329,174	181,965,908
TOTAL	\$ 408,536,670	\$ 406,114,726	\$ 502,235,255
General Revenue Fund	180,029,387	168,397,874	218,963,870
Federal Funds	201,030,327	200,551,238	257,939,623
Other Funds	27,476,956	37,165,614	25,331,762

DEPARTMENT OF SOCIAL SERVICES

DIVISION OF YOUTH SERVICES

The Division of Youth Services (DYS) is divided into three functional areas: Management and Development, Residential Services, and Alternative Services.

Management and Development is the central administrative unit with overall responsibility for designing, implementing, managing, and evaluating all programs operated by the division. Five regional offices supplement the efforts of central office staff and assure program efficiency and effectiveness at the local level.

Residential Services provides youthful offenders with structured rehabilitation programs when placement at home is no longer an option. Educational Services, a component of this program area, provides academic and vocational education to youth in residential placement. The division has six secure facilities: Northwest Regional Youth Center in Jackson County, Hogan Street Youth Center in St. Louis City, Fulton Treatment Center in Callaway County, Mount Vernon Treatment Center in Lawrence County, Hillsboro Treatment Center in Jefferson County, and St. Joseph Treatment Center in Buchanan County. The division also operates 17 moderately secure facilities and 6 community-based facilities.

Alternative Services helps youthful offenders adjust to acceptable norms of behavior. The division provides several types of alternative services: case management and classification; community care which includes day treatment, intensive supervision, and alternative living; aftercare; and the Juvenile Court Diversion Program. Case management and classification involves evaluating youths' needs before they are assigned to one of the division's programs and managing their service delivery plan during their entire length of stay with the division. Primary care involves treatment of youth in the community without the youth being placed in a DYS facility. Alternative living purchased by the division includes foster care and proctor care for juveniles who cannot return to their facility. Day treatment programs provide intensive treatment services for youth who continue to live at home. Intensive supervision provides tracking and mentoring to youth in the community. Aftercare is the provision of counseling and other services to help juveniles return to their families and communities when released from one of the division's facilities. Finally, the Juvenile Court Diversion Program encourages local communities to develop programs to divert youth from commitment to DYS.

Fiscal Year 2004 Governor's Recommendations

- \$1,484,028 other funds to replace general revenue core reduction.
- \$682,795 for pay plan, including \$524,389 general revenue.
- (\$1,694,255) and (four) staff in core reduction from the Fiscal Year 2003 appropriation level for administrative services.

**DEPARTMENT OF SOCIAL SERVICES
DIVISION OF MEDICAL SERVICES**

FINANCIAL SUMMARY

	FY 2002 EXPENDITURE	FY 2003 APPROPRIATION	GOVERNOR RECOMMENDS FY 2004
Administrative Services	\$ 49,646,062	\$ 52,239,994	\$ 56,371,063
Medicaid Vendor Payments and Managed Care	4,359,453,186	4,118,913,458	4,382,333,830
State Medical	29,671,392	33,220,497	36,925,682
DIVISIONAL TOTAL	\$ 4,438,770,640	\$ 4,204,373,949	\$ 4,475,630,575
General Revenue Fund	804,454,320	711,805,614	876,593,780
Federal Funds	3,118,215,777	3,127,966,705	3,340,688,723
Uncompensated Care Fund	87,900,000	87,900,000	87,900,000
Pharmacy Rebates Fund	43,301,371	48,110,449	48,110,574
Third Party Liability Collections Fund	21,951,472	13,311,881	14,063,738
Intergovernmental Transfer Fund	275,810,963	144,077,714	33,000,000
Nursing Facility Quality of Care Fund	80,588	80,655	81,185
Health Initiatives Fund	17,498,308	19,079,331	19,395,535
Healthy Families Trust Fund-Health Care			
Treatment and Access Account	69,255,508	50,959,100	50,959,100
Premium Fund	302,333	1,082,500	4,837,940

ADMINISTRATIVE SERVICES

Medical Services staff oversees the operation of the Medicaid and State Medical programs. Responsibilities include provider reimbursement; provider enrollment and relations; monitoring changes in the health care professions and their payment structures; maintaining liaison with federal agencies involved in medical services; developing policies and procedures for the operation of the program; and developing new, innovative methods of controlling health care costs through managed care plans, alternative care programs, and third party liability collections.

Fiscal Year 2004 Governor's Recommendations

- \$3,009,936 for increased monthly operational costs of information systems necessary for compliance with federal law, including \$752,484 general revenue.
- \$1,500,000 federal and other funds to align appropriations with projected payments of third-party medical coverage.
- \$71,606 for pay plan, including \$30,104 general revenue.
- (\$326,322) and (4.5) staff in core reduction from the Fiscal Year 2003 appropriation level, including (\$163,161) general revenue.
- (\$124,151) for one-time expenditures, including (\$30,000) general revenue.

MEDICAID VENDOR PAYMENTS AND MANAGED CARE

The Medicaid Program (Title XIX of the Social Security Act) is a federal-state effort to pay the health care of those who cannot pay for their own care. Federal law sets the minimum provisions for any state that opts to administer a Medicaid Program. These include hospital, physician, laboratory, skilled nursing home care, home health care, and family planning services. Other allowable optional services in Missouri's Medicaid Program are prescription drugs, clinic services, ambulance, adult daycare, personal care services, homemaker and chore services, durable medical equipment, psychiatric services, rehabilitation services, long-term care, hospice, dental, and case management. The program also pays for Medicare premiums for eligible individuals.

The 1115 Waiver is a federal-state effort to pay for the health care of uninsured children up to 300 percent of poverty and uninsured working parents up to 77 percent of poverty. All adults receiving Medicaid as a result of this waiver will receive a commercial package of services equivalent to that offered to State of Missouri employees. Children will receive a package equal to Medicaid coverage without non-emergency transportation.

The State Medical Program allows child welfare services and Blind Pension recipients who are not eligible for the federal Medicaid Program to receive necessary non-institutional, nursing facility, and hospital medical care.

**DEPARTMENT OF SOCIAL SERVICES
DIVISION OF MEDICAL SERVICES**

MEDICAID VENDOR PAYMENTS AND MANAGED CARE (Continued)

**MEDICAID EXPENDITURES
SELECTED SERVICES AND ANNUAL TOTALS**

	FY 2002	FY 2003	FY 2004
Pharmacy	\$ 730,165,968	\$ 797,365,521	\$ 938,015,557
Physician	235,124,762	270,064,952	293,358,859
Dental	18,535,052	13,321,312	9,363,572
Home- and Community-Based Services	252,397,644	267,587,124	251,520,554
Nursing Homes	545,025,732	437,393,933	433,097,109
Rehabilitation and Specialty Services	87,155,849	119,185,432	112,081,035
Managed Care	486,032,769	625,024,783	752,703,137
Hospital Care	488,761,689	529,410,107	499,421,317
Medicaid Supplemental Pool	515,347,249	173,700,000	72,845,426
FRA, NFFRA, and UCC	495,598,808	485,000,000	595,000,000
Children's Health Insurance Program	77,511,197	102,762,126	95,763,170
Mental Health Services	201,824,298	195,166,761	203,187,341
Other Medicaid	225,972,169	102,931,407	125,976,753
Grand Total	\$ 4,359,453,186	\$ 4,118,913,458	\$ 4,382,333,830

	FY 2002	FY 2003	FY 2004
Average number of Fee-for-Service eligibles*	399,245	424,517	451,389
Average monthly cost per eligible for Fee-for-Service*	\$712.32	\$721.44	\$730.68
Average number of eligibles enrolled in Managed Care*	337,640	404,594	484,825
Average monthly cost per eligible for Managed Care*	\$123.84	\$138.57	\$155.04
Number of children receiving health care through 1115 Waiver	74,623	83,011	91,301
Average monthly cost per child in the 1115 Waiver	\$91.77	\$96.81	\$102.14
Number of total Early Childhood screenings	188,326	193,976	199,795

*Excludes 1115 Waiver

Fiscal Year 2004 Governor's Recommendations

- \$216,322,554 for additional anticipated costs of existing Medicaid programs to ensure that all program cores are sufficiently funded to meet projected expenditures, including \$69,574,918 general revenue.
- \$113,129,659 to address the anticipated increases in the Pharmacy Program due to new drugs, therapies, and inflation, including \$43,497,298 general revenue.
- \$112,355,531 for anticipated caseload increases in Medicaid programs, including \$39,318,491 general revenue.
- \$110,000,000 federal funds to align appropriations with projected expenditures associated with federal reimbursement allowance funds.
- \$51,968,346 to replace one-time intergovernmental transfer funding in the nursing facilities, managed care, and health care access cores, including \$29,051,868 general revenue.
- \$27,425,371 for increased costs and utilization of pharmacy prescriptions by the elderly and those with disabilities, including \$10,583,451 general revenue.
- \$25,759,295 to provide a trend factor for managed care of 6.8 percent in the eastern and central regions and a 7.0 percent blended rate in the western region, including \$9,509,754 general revenue.
- \$24,551,720 for the remaining months of the Fiscal Year 2003 managed care trend factor, including \$9,065,853 general revenue.
- \$16,788,283 for an adjustment to address the change in the federal participation percentage, including \$1,038,000 general revenue.
- \$9,731,640 federal and other funds to align appropriations with projected payments of Medicare premiums.
- \$8,572,381 to replace one-time federal reimbursement allowance funding in the managed care core.
- \$7,724,823 to provide funding for psychology services for adults covered under the Fee for Service Program, as required by a recent court judgment, including \$2,981,009 general revenue.

**DEPARTMENT OF SOCIAL SERVICES
DIVISION OF MEDICAL SERVICES**

MEDICAID VENDOR PAYMENTS AND MANAGED CARE (Continued)

- \$5,266,416 to compensate for anticipated increases in Medicare Part A & B premiums, including \$2,031,900 general revenue.
- \$1,000,000 to replace one-time intergovernmental transfer funding for grants to Federally Qualified Healthcare Centers.
- \$135,664 for anticipated increases to Medicare hospice rates, including \$52,353 general revenue.
- (\$110,800,000) federal and other funds core reduction for one-time supplemental intergovernmental transfer transactions.
- (\$54,968,346) other funds core reduction for one-time intergovernmental transfer funding.
- (\$50,500,000) federal and other funds core reduction for hospital efficiencies.
- (\$44,649,351) core reduction for implementing recipient copayments for selected Medicaid services, including (\$13,426,597) general revenue.
- (\$30,000,000) core reduction for continuation of use of step therapy in the Pharmacy Program, including (\$11,550,000) general revenue.
- (\$26,265,444) federal funds core reduction in managed care for one-time federal hospital provider tax funding.
- (\$20,454,864) core reduction for implementing recipient copayments for prescriptions, including (\$7,893,532) general revenue.
- (\$16,788,283) core reduction due to changes in the federal participation rates, including (\$15,750,283) general revenue.
- (\$16,400,000) core reduction due to reduced pharmacy ingredient reimbursement, including (\$6,328,760) general revenue.
- (\$15,000,000) core reduction for a preferred drug list with supplemental rebates, including (\$5,775,000) general revenue.
- (\$13,500,000) federal funds core reduction in managed care for one-time federal hospital provider tax funding.
- (\$12,628,140) federal funds core reduction of excess funds in health care access for adults.
- (\$8,500,000) core reduction of excess funds for children's health care coverage, including (\$2,295,850) general revenue.
- (\$6,927,958) core reduction in nursing homes due to increases in patient surpluses, including (\$2,673,499) general revenue.
- (\$6,269,862) core reduction in physician payments to annualize the Fiscal Year 2003 reduction for Medicare repricing, including (\$2,419,540) general revenue.
- (\$5,621,762) federal and other funds core reduction for one-time grants to nursing homes.
- (\$5,602,650) federal funds core reduction to children's health care coverage for correction of Fiscal Year 2003 reduction.
- (\$5,159,855) core reduction for elimination of optional adult dental coverage, including (\$1,991,188) general revenue.
- (\$4,122,649) core reduction for home- and community-based services to annualize the Fiscal Year 2003 reduction for spenddown policy changes, including (\$1,590,930) general revenue.
- (\$4,000,000) and (75) staff transferred to the Department of Health and Senior Services, including (\$1,000,000) general revenue.
- (\$3,750,000) core reduction of the pilot prenatal and asthma disease management project in the Pharmacy Program, including (\$1,500,000) general revenue.
- (\$3,600,000) core reduction for implementation of prior authorization of counseling and therapy services in the Medicaid Program, including (\$1,389,240) general revenue.
- (\$700,000) other funds core reduction in one-time grants to programs of all-inclusive care for the elderly.
- (\$569,914) other funds core reduction of excess funds for hospitals.
- (\$500,000) core reduction associated with reinstatement of coverage of select cost-effective, over-the-counter drugs, including (\$192,950) general revenue.
- (\$16,464) core reduction for Medicare Part A Premium reduction, including (\$6,353) general revenue.
- (\$15,769) federal funds core reduction for QI-2 federal Medicare Premium Payment Program termination.

STATE MEDICAL

	FY 2001	FY 2002	FY 2003
Caseload average for Child Welfare Services	815	502	649
Caseload average for Blind Pension	2,729	2,798	2,880
Caseload average for the Division of Youth Services	579	614	654

Fiscal Year 2004 Governor's Recommendations

- \$10,000,000 to replace one-time intergovernmental transfer funding.
- \$2,098,269 cost-to-continue the Fiscal Year 2003 supplemental appropriations payments in the State Medical Program.
- \$1,606,303 to address the rising cost of pharmacy ingredients.
- \$613 for anticipated increases to Medicare hospice rates.
- (\$10,000,000) other funds one-time core reduction from the Fiscal Year 2003 appropriation level.

ELECTED OFFICIALS

FINANCIAL SUMMARY

	FY 2002 EXPENDITURE	FY 2003 APPROPRIATION	GOVERNOR RECOMMENDED FY 2004
Office of the Chief Executive	\$ 2,012,738	\$ 2,339,133	\$ 2,157,518
Lieutenant Governor	349,643	407,893	410,035
Secretary of State	24,002,507	26,339,780	30,791,827
State Auditor	8,198,907	8,756,178	8,766,238
State Treasurer	17,964,759	20,375,842	20,410,492
Attorney General	18,796,831	23,082,175	23,203,304
TOTAL	\$ 71,325,385	\$ 81,301,001 *	\$ 85,739,414
General Revenue Fund	42,284,419	44,111,162	43,868,708
Federal Funds	4,145,744	6,802,928	11,766,854
Statutory County Recorder's Fund	0	1	0
Treasurer's Information Fund	2,347	8,000	25,000
Secretary of State's Technology Trust Fund Account	2,308,743	3,000,396	3,000,564
Gaming Commission Fund	131,533	207,196	207,875
Central Check Mailing Service Revolving Fund	167,927	225,000	225,000
Natural Resources Protection Fund - Air Pollution Permit Fee Subaccount	36,646	36,645	36,870
Solid Waste Management Fund	37,157	37,157	37,370
Local Records Preservation Fund	1,532,099	1,897,696	1,696,108
Petroleum Storage Tank Insurance Fund	21,930	21,930	22,076
Motor Vehicle Commission Fund	0	44,692	44,692
Health Spa Regulatory Fund	0	5,000	5,000
Natural Resources Protection Fund - Water Pollution Permit Fee Subaccount	36,657	36,657	36,858
Attorney General's Court Costs Fund	187,000	187,000	187,000
Conservation Commission Fund	38,460	40,143	40,195
Parks Sales Tax Fund	18,187	18,745	18,771
Soil and Water Sales Tax Fund	30,415	30,966	31,062
Merchandising Practices Revolving Fund	1,471,465	2,555,019	2,558,968
State Highways and Transportation Department Fund	1,029,054	1,047,311	993,142
Petition Audit Revolving Trust Fund	392,821	617,272	617,785
Workers' Compensation Fund	277,126	454,271	455,798
Second Injury Fund	1,893,702	2,103,543	2,104,142
Lottery Enterprise Fund	48,202	48,383	48,704
Hazardous Waste Fund	36,619	36,645	36,858
Safe Drinking Water Fund	12,922	12,922	12,993
Missouri Office of Prosecution Services Fund	143,122	256,296	307,427
Hazardous Waste Remedial Fund	226,685	226,694	228,137
Investors Restitution Fund	0	55,000	55,000
Inmate Incarceration Reimbursement Act Revolving Fund	21,644	33,605	33,747
Secretary of State's Investor Education Fund	0	284,922	284,922
State Document Preservation Fund	20,897	149,975	306,191
Missouri Office of Prosecution Services Revolving Fund	86,380	150,000	150,000
Abandoned Fund Account	14,460,427	16,225,000	16,225,000
Mined Land Reclamation Fund	12,901	12,907	12,978
Secretary of State - Wolfner State Library Fund	0	35,000	57,000
Secretary of State Institution Gift Trust Fund	212,154	284,922	619

* Does not include \$50,000 recommended in the Fiscal Year 2003 Supplemental Appropriations. See the Supplemental section of the Missouri Budget for details regarding elected officials supplemental appropriations.

OFFICE OF THE CHIEF EXECUTIVE

FINANCIAL SUMMARY

	FY 2002 EXPENDITURE	FY 2003 APPROPRIATION	GOVERNOR RECOMMENDED FY 2004
Governor's Office and Mansion	\$ 1,758,442	\$ 2,185,981	\$ 2,004,366
National Guard Emergency	51,521	1	1
Association Dues	144,650	150,150	150,150
Special Audits	58,125	0	0
Governor's Mansion Preservation Advisory Commission	0	3,000	3,000
Governmental Emergency Fund	0	1	1
TOTAL	\$ 2,012,738	\$ 2,339,133	\$ 2,157,518
Personal Service	1,492,094	1,862,982	1,681,367
Expense and Equipment	520,644	476,149	476,149
Program Specific Distribution	0	2	2
TOTAL			
General Revenue Fund	\$ 2,012,738	\$ 2,339,133	\$ 2,157,518
Full-time equivalent employees	32.21	42.90	42.00

GOVERNOR'S OFFICE AND MANSION

Article IV, Section 1 of the Missouri Constitution describes the duties and responsibilities of the Governor. This program includes the statutory salary of the Governor, funds for personnel in the Governor's offices and the mansion, and the expense and equipment costs for the offices and mansion.

Fiscal Year 2004 Governor's Recommendations

- \$6,793 for pay plan.
- (\$188,408) and (.9) staff in core reduction from the Fiscal Year 2003 appropriation level.

NATIONAL GUARD EMERGENCY/HOMELAND SECURITY

The Missouri National Guard, when called to active duty by the Governor under Section 41.480, RSMo, has the authority to restore law and order and to assist in the disaster relief of any section of the state where circumstances exceed the resources of local civil authorities. The most common use of the guard has been for cleanup and security following natural disasters, such as a flood or tornado, and public action during a time of local disorder. The Governor also seeks appropriation authority to accept federal funds to counter terrorist threats to state security.

Fiscal Year 2004 Governor's Recommendations

Continue funding at the current level.

**ELECTED OFFICIALS
OFFICE OF THE CHIEF EXECUTIVE**

ASSOCIATION DUES

The National Governors' Association is an instrument of the governors of the 50 states. It is intended to influence the development and implementation of national policy and apply creative leadership to state problems. The association works closely with the President and the Congress on state-federal policy issues from its offices in the Hall of the States in Washington, D.C. Through its Center for Policy Research, the association also serves as a vehicle for sharing knowledge of innovative programs among states and provides technical assistance to governors.

The Southern Governors' Association provides a forum of cooperation among governors of southern states to work together and with the federal government to meet the unique needs of the states in the region.

Fiscal Year 2004 Governor's Recommendations

Continue funding at the current level.

SPECIAL AUDITS

Section 26.060, RSMo, authorizes the Governor to call for special audits of any entity receiving state funds when the public interest of the state will be served.

GOVERNOR'S MANSION PRESERVATION ADVISORY COMMISSION

The Commission is composed of widows of former Missouri Governors in accordance with Section 8.020, RSMo. The members receive a sum of \$3,000 per year for serving on the Commission.

Fiscal Year 2004 Governor's Recommendations

Continue funding at the current level.

GOVERNMENTAL EMERGENCY FUND COMMITTEE

Sections 33.700 through 33.730, RSMo, create the Governmental Emergency Fund Committee and allocation procedures for appropriations of emergency funds. Funds from this appropriation may be allocated by a majority vote of the Governmental Emergency Fund Committee members for the purpose of meeting emergency and unanticipated requirements. The committee consists of the Governor, Commissioner of Administration, the chair and ranking minority member of the Senate Appropriations Committee, the chair and ranking minority member of the House Appropriations Committee, and the director of the Division of Design and Construction who serves as an ex-officio consultant to the committee.

Fiscal Year 2004 Governor's Recommendations

Continue funding at the current level.

LIEUTENANT GOVERNOR

Article IV, Section 10 of the Missouri Constitution describes the duties and responsibilities of the Lieutenant Governor. The statutory salary of the Lieutenant Governor and funds for the personnel and expense and equipment costs in operating the Office of the Lieutenant Governor are included in this program. The Lieutenant Governor presides over the Senate and serves as Secretary of the Board of Public Buildings.

Proposition C, passed by voters in November 1992, established the Office of Advocacy and Assistance for the Elderly in the Lieutenant Governor's Office. The proposition also made the Lieutenant Governor a member of the Tourism, Economic Development, and Fund Commissioners Boards and an advisor for educational programs.

Fiscal Year 2004 Governor's Recommendations

- \$2,142 for pay plan.

	FY 2002 EXPENDITURE	FY 2003 APPROPRIATION	GOVERNOR RECOMMENDED FY 2004
Personal Service	\$ 308,047	\$ 341,665	\$ 343,824
Expense and Equipment	41,596	66,228	66,211
TOTAL			
General Revenue Fund	\$ 349,643	\$ 407,893	\$ 410,035
Full-time equivalent employees	8.43	8.50	8.50

SECRETARY OF STATE

FINANCIAL SUMMARY

	FY 2002 EXPENDITURE	FY 2003 APPROPRIATION	GOVERNOR RECOMMENDED FY 2004
Administration	\$ 14,717,159	\$ 15,625,447	\$ 15,913,283
Elections	6,140	1,190,001	5,211,396
Record Preservation Programs	556,229	1,224,975	1,136,704
Missouri Library Programs	8,722,979	8,299,357	8,530,444
TOTAL	\$ 24,002,507	\$ 26,339,780	\$ 30,791,827
PERSONAL SERVICE			
General Revenue Fund	7,213,620	7,225,426	7,279,699
Federal Funds	402,444	504,057	740,578
Secretary of State's Technology Trust Fund Account	72,588	77,900	78,068
Local Records Preservation Fund	861,879	899,969	878,101
Secretary of State's Investor Education Fund	0	121,458	121,458
State Document Preservation Fund	20,897	116,460	116,676
Secretary of State Institution Gift Trust Fund	102,229	121,458	619
EXPENSE AND EQUIPMENT			
General Revenue Fund	5,561,461	3,659,454	3,276,125
Federal Funds	1,076,200	702,574	570,244
Secretary of State's Technology Trust Fund Account	2,236,155	2,922,496	2,922,496
Local Records Preservation Fund	353,816	397,727	418,007
Secretary of State's Investor Education Fund	0	163,464	163,464
State Document Preservation Fund	0	6,000	25,255
Secretary of State - Wolfner State Library Fund	0	35,000	57,000
Secretary of State Institution Gift Trust Fund	109,925	163,464	0
PROGRAM SPECIFIC DISTRIBUTION			
General Revenue Fund	3,954,837	7,040,357	7,169,444
Federal Funds	1,288,483	1,500,001	6,355,333
Local Records Preservation Fund	316,404	600,000	400,000
Investors Restitution Fund	0	55,000	55,000
State Document Preservation Fund	0	27,515	164,260
FUND TRANSFERS			
General Revenue Fund	431,569	0	0
TOTAL	\$ 24,002,507	\$ 26,339,780	\$ 30,791,827
General Revenue Fund	17,161,487	17,925,237	17,725,268
Federal Funds	2,767,127	2,706,632	7,666,155
Secretary of State's Technology Trust Fund Account	2,308,743	3,000,396	3,000,564
Local Records Preservation Fund	1,532,099	1,897,696	1,696,108
Investors Restitution Fund	0	55,000	55,000
Secretary of State's Investor Education Fund	0	284,922	284,922
State Document Preservation Fund	20,897	149,975	306,191
Secretary of State - Wolfner State Library Fund	0	35,000	57,000
Secretary of State Institution Gift Trust Fund	212,154	284,922	619
Full-time equivalent employees	289.96	297.40	291.90

ELECTED OFFICIALS SECRETARY OF STATE

ADMINISTRATION

The Office of the Secretary of State is organized as follows:

Administrative Services – provides central budgeting, personnel, human resources, accounting, supplies, and mailroom services for all areas of the office. Responsibilities also include publication of the official manual of the State of Missouri, the Constitution, corporation laws, securities laws, the uniform commercial code manual, notary public laws, trademark laws, primary election returns, and the state and general assembly roster.

Executive Services – the Securities Commissioner administers the Missouri Uniform Securities Act.

Elections Services – prepares ballots, certifies candidates, canvasses election returns, certifies initiative petitions, and maintains the statewide voter registration database.

Record Services – provides for the maintenance, retention, preservation, and disposal of official records of the state and local governments of Missouri.

Administrative Rules and Legal Services – provide central services, such as legal counsel, and is the central filing office for all rules and regulations promulgated by departments of the State of Missouri.

Securities Services – works to protect Missouri investors from fraud and maintains an orderly securities market in the state. The Securities Commissioner administers the Missouri Uniform Securities Act.

Business Services – administers the laws and filings of corporations and non-profit organizations. Additionally, the division is the central filing office and custodian of all filings on business and professional loans.

Library Services – supports or works in concert with public, academic, and institutional libraries of the state with grant support, consultant services, development of criteria for establishment of libraries, collection development, and resource sharing. The library serves as a research and reference library for state government and the legislature and as the central outlet for census data information.

Wolfner Library for the Blind and Physically Handicapped – provides a variety of Braille and large print books, talking books recorded on cassette and discs, as well as cassette and disc playback equipment for eligible blind, visually impaired, physically disabled, and learning disabled citizens. The federal government, through the National Library Service, provides production of the materials, equipment, and postal charges for their distribution. The State of Missouri pays for the cost of housing the collections of material and equipment of the staff to operate the service.

Fiscal Year 2004 Governor's Recommendations

- \$600,000 to publish the official manual.
- \$45,000 other funds for a recording booth for the Wolfner Library for the Blind and Physically Handicapped.
- \$20,280 other funds for vehicle replacement.
- \$98,592 for pay plan, including \$84,883 general revenue.
- \$1,200 transferred from the statewide leasing budget.
- (\$477,236) and (8.5) staff in core reduction from the Fiscal Year 2003 appropriation level, including (\$138,534) general revenue.

ELECTIONS

Initiative, Referendum and Constitutional Amendments Expenses – funds are provided to allow for the publication of the texts of initiative petitions and referendums in newspapers prior to their consideration by the electorate of the State of Missouri. Payments are made in accordance with Chapter 125, RSMo, for constitutional amendments and Chapter 126, RSMo, for initiative petitions and referendums.

Absentee Ballots – funds are provided to allow for fees and costs for establishing and maintaining the business reply and postage-free mail for absentee envelopes returned by voters, in accordance with Section 115.285, RSMo.

ELECTED OFFICIALS SECRETARY OF STATE

ELECTIONS (Continued)

Election Printing and Federal Election Reform – provisional ballot envelopes must be provided for local election authorities to use in elections of federal candidates, statewide candidates, or statewide issues. In addition, the Elections Division must print and distribute voter registration applications in accordance with federal laws.

Fiscal Year 2004 Governor's Recommendations

- \$5,000,000 federal funds to implement the federal Help America Vote Act of 2002.
- \$21,395 to print provisional ballot envelopes.
- (\$1,000,000) for one-time expenditures.

RECORD PRESERVATION PROGRAMS

Local Records Grants – these funds are user fees designated for local records preservation. Missouri local governments submit proposals that address their specific needs in archive/records management. The Historical Records Advisory Board in concert with the Local Records Program Fiscal Grants Officer will establish priorities, implement, and audit the return of money to local governments.

Document Preservation – these funds are private donations designated for preservation of documents of legal, historical, and genealogical importance to the State of Missouri.

Fiscal Year 2004 Governor's Recommendations

- \$305,332 federal and other funds for the Historical Records Grant Program.
- \$232,511 federal funds and three staff to arrange and describe records of the Civil War and Reconstruction Era in Missouri.
- \$42,670 federal funds for education and training of state and local government officials about preservation strategies.
- \$6,000 other funds to support AmeriCorps efforts to preserve historic documents.
- \$216 other funds for pay plan.
- (\$675,000) federal and other funds core reduction from the Fiscal Year 2003 appropriation level.

MISSOURI LIBRARY PROGRAMS

State Aid for Public Libraries

The Missouri Constitution authorizes the state to support and aid public libraries. Consistent with this authority and the procedure set out in Section 181.060, RSMo, the Missouri State Library distributes funds to eligible public libraries on the basis of population served by the library district. A public library becomes eligible for participation if it has voted a local tax of at least ten cents per one hundred dollars assessed valuation. Local libraries use state funds to supplement local support.

Remote Electronic Access for Libraries

The Remote Electronic Access for Libraries (REAL) project is designed to connect all public libraries in Missouri to each other and the Internet through dedicated data connections. Library patrons will have quick access to resources beyond those available solely within their community.

Literacy Investment for Tomorrow

The Missouri State Library serves as fiscal agent for the state literacy resource center, Literacy Investment for Tomorrow (LIFT) in St. Louis. The center promotes and develops resources for organizations that provide literacy services.

Federal Aid for Public Libraries

The Missouri State Library administers federal grants under the federal Library Services and Construction Act. The library distributes funds to local public libraries for personnel, books, other library materials, and for general operating expenses to develop and improve library services. In addition, funds are available to local groups of libraries for improving local library cooperation. All costs for cooperative projects, except book purchases and building construction, are eligible for funding.

Fiscal Year 2004 Governor's Recommendations

- \$231,087 to maintain state aid for public libraries funding at \$.55 per resident.

STATE AUDITOR

The State Auditor's Office performs audits of various state agencies, third- and fourth-class counties, other political subdivisions as required by petition, and claims made to the Office of Emergency Preparedness for reimbursement of disaster expenditures. Financial accountability, legality of financial transactions, and operational efficiency are examined in the audits. Audit reports are delivered to the Governor, the General Assembly, the auditee, and interested citizens. The State Auditor also registers all bonds as required by law; distributes accounting forms to the counties; files county budgets and municipal financial statements; processes federal levies and payroll sequestrations; provides research for the creation of permanent audit files; provides legal, organizational, and program research for state and county audits; and assists state, county, and local governments in establishing uniform accounting systems and procedures.

Fiscal Year 2004 Governor's Recommendations

- \$58,048 and 1.5 staff to replace state highways and transportation department funds.
- \$9,700 for pay plan, including \$7,904 general revenue.
- \$360 transferred from the statewide leasing budget.
- (\$58,048) state highways and transportation fund and (1.5) staff in core reduction from the Fiscal Year 2003 appropriation level.

	FY 2002 EXPENDITURE	FY 2003 APPROPRIATION	GOVERNOR RECOMMENDED FY 2004
PERSONAL SERVICE			
General Revenue Fund	\$ 5,578,951	\$ 5,439,864	\$ 5,503,595
Federal Funds	232,788	463,460	463,790
Gaming Commission Fund	31,891	58,804	58,849
Conservation Commission Fund	36,408	37,532	37,584
Parks Sales Tax Fund	18,187	18,745	18,771
Soil and Water Sales Tax Fund	17,513	18,054	18,079
State Highways and Transportation Department Fund	568,359	566,402	511,380
Petition Audit Revolving Trust Fund	362,435	564,656	565,169
EXPENSE AND EQUIPMENT			
General Revenue Fund	1,273,395	1,443,677	1,446,258
Federal Funds	30,000	44,967	44,967
Gaming Commission Fund	788	22,580	22,580
Conservation Commission Fund	2,052	2,611	2,611
State Highways and Transportation Department Fund	15,754	22,210	19,989
Petition Audit Revolving Trust Fund	30,386	52,616	52,616
TOTAL	\$ 8,198,907	\$ 8,756,178	\$ 8,766,238
General Revenue Fund	6,852,346	6,883,541	6,949,853
Federal Funds	262,788	508,427	508,757
Gaming Commission Fund	32,679	81,384	81,429
Conservation Commission Fund	38,460	40,143	40,195
Parks Sales Tax Fund	18,187	18,745	18,771
Soil and Water Sales Tax Fund	17,513	18,054	18,079
State Highways and Transportation Department Fund	584,113	588,612	531,369
Petition Audit Revolving Trust Fund	392,821	617,272	617,785
Full-time equivalent employees	160.07	178.27	178.27

STATE TREASURER

FINANCIAL SUMMARY

	FY 2002 EXPENDITURE	FY 2003 APPROPRIATION	GOVERNOR RECOMMENDED FY 2004
Administration	\$ 2,811,875	\$ 2,847,840	\$ 2,882,491
Issuing Duplicate and Outdated Checks	1,061,650	1,525,000	1,525,000
County Recorder Disbursements	0	1	0
Abandoned Fund Account	14,090,545	16,000,001	16,000,001
Linked Deposit Refunds	689	3,000	3,000
TOTAL	\$ 17,964,759	\$ 20,375,842	\$ 20,410,492
PERSONAL SERVICE			
General Revenue Fund	1,370,369	1,471,670	1,481,137
State Highways and Transportation Department Fund	444,941	458,699	461,773
Second Injury Fund	36,232	36,232	36,482
EXPENSE AND EQUIPMENT			
General Revenue Fund	416,897	419,959	424,819
Treasurer's Information Fund	2,347	8,000	25,000
Central Check Mailing Service Revolving Fund	167,927	225,000	225,000
Second Injury Fund	3,280	3,280	3,280
Abandoned Fund Account	369,882	225,000	225,000
PROGRAM SPECIFIC DISTRIBUTION			
General Revenue Fund	1,062,339	1,528,000	1,528,000
Abandoned Fund Account	14,090,545	16,000,000	16,000,000
Statutory County Recorder's Fund	0	1	0
FUND TRANSFERS			
General Revenue Fund	0	1	1
TOTAL	\$ 17,964,759	\$ 20,375,842	\$ 20,410,492
General Revenue Fund	2,849,605	3,419,630	3,433,957
Statutory County Recorder's Fund	0	1	0
Treasurer's Information Fund	2,347	8,000	25,000
Central Check Mailing Service Revolving Fund	167,927	225,000	225,000
State Highways and Transportation Department Fund	444,941	458,699	461,773
Second Injury Fund	39,512	39,512	39,762
Abandoned Fund Account	14,460,427	16,225,000	16,225,000
Full-time equivalent employees	51.97	51.00	51.00

ADMINISTRATION

The State Treasurer is responsible for receiving and investing state moneys, posting receipts to the proper funds, and signing warrants drawn according to law. As custodian of those funds, the Treasurer determines the amount of state moneys not needed for current operating expenses and invests those funds in interest-bearing time deposits in Missouri banking institutions or in short-term United States government obligations. The Treasurer is required to give due consideration to the preservation of state funds and the comparative yields available. The Treasurer also must determine whether the general welfare of the state is better served by investing state funds in United States securities or within the Missouri banking system.

The Treasurer also administers the state's unclaimed property law by collecting unclaimed or abandoned funds and property belonging to Missouri citizens and trying to locate the owners.

Fiscal Year 2004 Governor's Recommendations

- \$17,000 other funds to produce information for government entities and the general public.
- \$4,500 to monitor companies doing business in Northern Ireland.
- \$12,791 for pay plan, including \$9,467 general revenue.
- \$360 transferred from the statewide leasing budget.

**ELECTED OFFICIALS
STATE TREASURER**

ISSUING DUPLICATE AND OUTLAWED CHECKS

These functions allow payment of claims against the state in cases where checks are not presented for payment within 12 months of issuance as required by law and in cases where checks are presented for payment more than five years after the date of issuance.

Fiscal Year 2004 Governor's Recommendations

Continue funding at the current level.

DISTRIBUTIONS TO COUNTY RECORDER OFFICES

In accordance with Section 59.800, RSMo, the State Treasurer is responsible for calculating and distributing funding to counties with a separate office for the Recorder of Deeds which collects less than \$55,000 annually in certain revenues. This function was transferred to the Department of Revenue effective August 28, 2002.

Fiscal Year 2004 Governor's Recommendations

- (\$1) other funds core reduction from the Fiscal Year 2003 appropriation level.

ABANDONED FUND ACCOUNT

In accordance with Section 447.543, RSMo, the abandoned fund account has the two-fold purpose of receiving funds that have remained unclaimed for a period of seven years and making the payment of valid claims. Any time the fund exceeds \$50,000, the Treasurer may, and at least once every year shall, transfer the excess to general revenue. If verified claims for payment should reduce the balance in the account to less than \$25,000, the Treasurer shall transfer from general revenue an amount sufficient to restore the fund to \$50,000.

Fiscal Year 2004 Governor's Recommendations

Continue funding at the current level.

LINKED DEPOSIT REFUNDS

The Linked Deposit Program provides a mechanism for providing low-interest loans as specified in Section 30.750, RSMo. The State Treasurer places a certificate of deposit with an eligible lending institution at up to three percent below market rate provided that the institution agrees to lend the value of the deposit at below the current borrowing rate. If the lending institution does not loan the full amount of the deposit, the institution must pay to the state the additional amount up to three percent discounted by the agreement. If a subsequent audit or review uncovers an overpayment error in the calculation of additional interest due, a refund must be made to the lending institution.

Fiscal Year 2004 Governor's Recommendations

Continue funding at the current level.

ATTORNEY GENERAL

The Attorney General takes legal action to protect the rights and interests of the state, defends or prosecutes appeals to which the state is a party, provides opinions regarding state law, and assists prosecuting attorneys in the prosecution of cases. The Office of the Attorney General has several responsibilities for which specific funds have been established by law.

Section 27.080, RSMo, established the Attorney General's court costs fund to receive deposits and make payments of court costs in litigation requiring the appearance of the Attorney General. This fund is supplemented by a transfer from general revenue.

Section 416.081, RSMo, created the antitrust revolving fund which is made up of deposits of ten percent of any court settlement of antitrust litigation involving the Attorney General. This fund is supplemented by a transfer from general revenue.

Chapter 287, RSMo, provides for the Attorney General to charge the second injury fund for the cost of defending the fund.

Section 56.750, RSMo, establishes the Missouri Office of Prosecution Services within the Attorney General's Office. The Prosecution Services Office is funded through fees assessed as court costs in criminal cases. The office was established to develop uniform training and procedures for Missouri's prosecuting attorneys.

Sections 407.1070 to 407.1085, RSMo, established a no-call database to be maintained by the Attorney General for citizens who object to receiving telephone solicitations at home.

Fiscal Year 2004 Governor's Recommendations

- \$91,617 for pay plan, including \$67,637 general revenue.
- \$50,575 other funds and one staff for the Missouri Office of Prosecution Services.
- (\$21,063) core reduction for one-time expenditures, including (\$11,288) general revenue.

ELECTED OFFICIALS

ATTORNEY GENERAL (Continued)

	FY 2002 EXPENDITURE	FY 2003 APPROPRIATION	GOVERNOR RECOMMENDED FY 2004
Administration	\$ 18,008,227	\$ 21,622,559	\$ 21,692,195
Missouri Office of Prosecution Services	788,604	1,459,616	1,511,109
TOTAL	\$ 18,796,831	\$ 23,082,175	\$ 23,203,304
PERSONAL SERVICE			
General Revenue Fund	10,148,191	10,567,635	10,601,731
Federal Funds	623,411	1,251,856	1,289,470
Gaming Commission Fund	95,057	95,065	95,699
Merchandising Practices Revolving Fund	592,501	592,539	596,488
Workers' Compensation Fund	229,150	229,150	230,677
Second Injury Fund	1,518,920	1,558,924	1,569,048
Missouri Office of Prosecution Services Fund	102,450	116,452	147,008
Hazardous Waste Remedial Fund	216,520	216,529	217,972
Other Funds	251,111	285,301	286,975
EXPENSE AND EQUIPMENT			
General Revenue Fund	2,605,409	2,313,093	2,335,346
Federal Funds	334,815	2,236,013	2,202,472
Gaming Commission Fund	3,797	30,747	30,747
Attorney General's Court Costs Fund	187,000	187,000	187,000
Merchandising Practices Revolving Fund	878,297	1,962,480	1,962,480
Workers' Compensation Fund	47,976	225,121	225,121
Second Injury Fund	335,270	505,107	495,332
Missouri Office of Prosecution Services Fund	40,672	139,844	160,419
Hazardous Waste Remedial Fund	10,165	10,165	10,165
Missouri Office of Prosecution Services Revolving Fund	86,380	150,000	150,000
Other Funds	26,469	54,154	54,154
PROGRAM SPECIFIC DISTRIBUTION			
Federal Funds	157,603	100,000	100,000
Merchandising Practices Revolving Fund	667	0	0
FUND TRANSFERS			
General Revenue Fund	305,000	255,000	255,000
TOTAL	\$ 18,796,831	\$ 23,082,175	\$ 23,203,304
General Revenue Fund	13,058,600	13,135,728	13,192,077
Federal Funds	1,115,829	3,587,869	3,591,942
Gaming Commission Fund	98,854	125,812	126,446
Attorney General's Court Costs Fund	187,000	187,000	187,000
Merchandising Practices Revolving Fund	1,471,465	2,555,019	2,558,968
Workers' Compensation Fund	277,126	454,271	455,798
Second Injury Fund	1,854,190	2,064,031	2,064,380
Missouri Office of Prosecution Services Fund	143,122	256,296	307,427
Hazardous Waste Remedial Fund	226,685	226,694	228,137
Missouri Office of Prosecution Services Revolving Fund	86,380	150,000	150,000
Other Funds	277,580	339,455	341,129
Full-time equivalent employees	367.25	393.05	394.05

JUDICIARY

FINANCIAL SUMMARY

	FY 2002 EXPENDITURE	FY 2003 APPROPRIATION	FY 2004 REQUEST	GOVERNOR RECOMMENDS FY 2004
Supreme Court	\$ 4,557,989	\$ 4,618,694	\$ 4,663,718	\$ 4,676,546
Office of State Courts Administrator	24,838,796	33,529,357	33,634,246	33,667,026
Courts of Appeal	10,182,002	10,219,638	10,219,680	10,229,675
Circuit Courts	108,967,680	114,521,703	115,737,045	116,858,791
Commission on Retirement, Removal, and Discipline of Judges	179,494	222,605	222,605	222,605
Appellate Judicial Commission	4,785	10,550	18,802	18,802
Senior Judge Compensation	643,061	500,000	500,000	0
TOTAL	\$ 149,373,807	\$ 163,622,547	\$ 164,996,096	\$ 165,673,445
General Revenue Fund	140,517,393	142,198,592	142,237,261	142,898,879
Federal Funds	3,660,881	15,488,232	16,426,112	16,434,894
Third Party Liability Collections Fund	254,279	345,869	345,869	347,634
Statewide Court Automation Fund	4,679,690	4,694,854	4,694,854	4,700,038
Supreme Court Publications Revolving Fund	79,980	80,000	125,000	125,000
Missouri CASA Fund	0	200,000	200,000	200,000
Crime Victims' Compensation Fund	0	0	352,000	352,000
Supreme Court Administrative Revolving Fund	22,583	90,000	90,000	90,000
Domestic Relations Resolution Fund	159,001	500,000	500,000	500,000
Fine Collections Center				
Interest Revolving Fund	0	25,000	25,000	25,000
Full-time equivalent employees	3,362.90	3,428.60	3,441.10	3,441.10

POLICY SUMMARY

The Governor recommends \$165,673,445 to enable the Judiciary to fulfill its constitutional responsibilities.

COURT AUTOMATION: Technological improvements often lead to increased efficiencies and accessibility in government. Faced with ever more crowded dockets and reporting demands, a commitment to technological innovation must be fundamental in the Missouri judicial system. The ongoing implementation of the Electronic Courts Project 2004 as authorized in SB 420 (1994) is leading to a more efficient and accessible Missouri court system. At the end of Fiscal Year 2003, this project will serve approximately 50 percent of the judicial caseload and 54 percent of Missouri's population. To continue this innovative use of information technology, the Governor recommends:

- \$352,000 other funds for ongoing support for court automation.

JUDICIARY

SUPREME COURT

The Supreme Court hears appeals in several categories of legal cases, handles original proceedings concerning extraordinary remedies, and exercises control over courts. The court discharges these duties by hearing oral arguments and interpreting and applying pertinent laws in order to decide cases on appeal. Lower courts are supervised through the promulgation and revision of rules. The court also licenses and disciplines attorneys of the state bar.

Fiscal Year 2004 Governor's Recommendations

- \$45,000 federal funds for publication expenses.
- \$12,852 for pay plan.

OFFICE OF STATE COURTS ADMINISTRATOR

The Office of State Courts Administrator fulfills the administrative obligations of the Supreme Court, which are mandated under the judicial article and the statutes. Staff of the office provides technical assistance, statistical analysis, financial system analysis, and continuing education functions for the courts. The office assists in policy direction for the Statewide Judicial Information System (SWJIS), collects and analyzes caseload data from the courts, develops and operates appellate and circuit record-keeping systems, develops and operates administrative systems, prepares the judicial budget, and maintains the personnel system for the courts. A central transcribing service prepares typed transcripts from sound recordings when needed for appeals or other purposes as required by statute. The office processes payrolls for all state-paid circuit court employees and all other state expenditures of the Supreme Court and circuit courts.

Fiscal Year 2004 Governor's Recommendations

- \$427,380 federal funds and 12 staff for implementation of the case management system.
- \$352,000 other funds to continue support for statewide court automation.
- \$32,789 for pay plan, including \$24,905 general revenue.
- (\$600,000) federal funds core reduction from the Fiscal Year 2003 appropriation level.
- (\$60,000) other funds reallocated to circuit courts.
- (\$14,500) federal funds for one-time expenditures.

JUDICIARY

COURTS OF APPEAL

The Missouri Courts of Appeal are constitutionally and statutorily authorized courts charged with hearing and deciding original remedial writs and appeals from all the counties in the state. The courts consist of 11 appeals judges in the Western District, 14 appeals judges in the Eastern District, and 7 appeals judges in the Southern District.

Fiscal Year 2004 Governor's Recommendations

- \$10,037 for pay plan.

	FY 2002 EXPENDITURE	FY 2003 APPROPRIATION	GOVERNOR RECOMMENDS FY 2004
Western District	\$ 3,431,648	\$ 3,418,043	\$ 3,422,511
Eastern District	4,440,735	4,474,767	4,478,806
Southern District	2,309,619	2,326,828	2,328,358
TOTAL	\$ 10,182,002	\$ 10,219,638	\$ 10,229,675
Personal Service	8,649,974	8,742,734	8,752,771
Expense and Equipment	1,532,028	1,476,904	1,476,904
TOTAL			
General Revenue Fund	\$ 10,182,002	\$ 10,219,638	\$ 10,229,675

Full-time equivalent employees	159.78	165.65	165.65
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CIRCUIT COURTS

Circuit courts are established by Article V, Section 15 of the Constitution of Missouri. The boundaries, circuit number, and inclusive counties of the 45 circuits are established by Chapter 478, RSMo. The circuit court is the exclusive trial court in Missouri. It is comprised of circuit judges, associate circuit judges, and municipal judges. Municipalities under 400,000 population may, and those over 400,000 must, make provision for judges to hear municipal ordinance violations. If such provision is not made, municipalities will file such cases before an associate circuit judge.

Fiscal Year 2004 Governor's Recommendations

- \$1,125,000 federal funds to expand treatment and services in drug courts.
- \$30,330 and .5 staff for statutorily mandated judgeship conversion.
- \$1,122,758 for pay plan, including \$1,114,911 general revenue.
- \$500,000 and nine staff transferred from senior judge compensation for the continued compensation of senior judges.
- \$60,000 other funds reallocated from the Office of State Courts Administrator.
- (\$501,000) core reduction from the Fiscal Year 2003 appropriation level.

JUDICIARY

COMMISSION ON RETIREMENT, REMOVAL, AND DISCIPLINE OF JUDGES

The Commission on Retirement, Removal, and Discipline of Judges, authorized in Article V, Section 27 of the Missouri Constitution, receives and investigates all requests and suggestions concerning retirement for disability and all complaints concerning misconduct of judges, members of the judicial commissions, and members of this commission. The commission is composed of two citizens who are not members of the bar and who are appointed by the Governor, two lawyers appointed by the governing body of the Missouri Bar, one judge of the Courts of Appeal selected by a majority of the judges of the Courts of Appeal, and one judge of the circuit courts selected by a majority of the circuit judges of this state.

Fiscal Year 2004 Governor's Recommendations

Continue funding at the current level.

APPELLATE JUDICIAL COMMISSION

The Appellate Judicial Commission consists of a judge of the Supreme Court, one member of the bar from each appeals district, and one citizen not a member of the bar from each appeals district. The commission considers vacant judgeships of the Supreme Court or the Courts of Appeal. The Circuit Judicial Commission consists of the chief judge of the Courts of Appeal over the district, two members of the bar residing in the judicial circuit, and two citizens not members of the bar residing in the circuit. This commission considers vacancies in the office of circuit judge or associate circuit judge in those districts subject to nonpartisan selection of judges.

Fiscal Year 2004 Governor's Recommendations

- \$8,252 for election costs in the Western District.

SENIOR JUDGE COMPENSATION

Legislation enacted in 1988 encouraged the use of senior retired judges to help alleviate the problems associated with rapidly growing caseloads in the circuit and appellate courts by providing compensation for their services. Senior judges are being used to increase the disposition rates in high-volume courts, in courts where there are temporary vacancies due to retirement and illness, and in individual cases where conflict of interest or other needs arise.

Fiscal Year 2004 Governor's Recommendations

- (\$500,000) and (nine) staff transferred to circuit courts for the continued compensation of senior judges.

OFFICE OF THE STATE PUBLIC DEFENDER

FINANCIAL SUMMARY

	FY 2002 EXPENDITURE	FY 2003 APPROPRIATION	FY 2004 REQUEST	GOVERNOR RECOMMENDS FY 2004
Defender Services	\$ 26,464,485	\$ 27,851,784	\$ 33,713,018	\$ 27,916,241
Federal Grants	0	125,000	125,000	125,000
Legal Defense and Defender Fund	752,435	1,214,534	1,214,534	1,215,146
Homicide/Conflict of Interest Cases	<u>2,039,248</u>	<u>2,059,850</u>	<u>2,809,850</u>	<u>2,559,850</u>
DEPARTMENT TOTAL	\$ 29,256,168	\$ 31,251,168 *	\$ 37,862,402	\$ 31,816,237
PERSONAL SERVICE				
General Revenue Fund	21,115,338	22,104,233	25,747,578	22,179,050
Legal Defense and Defender Fund	47,189	57,178	57,178	57,790
EXPENSE AND EQUIPMENT				
General Revenue Fund	7,388,395	7,807,401	10,775,290	8,297,041
Legal Defense and Defender Fund	692,549	1,157,356	1,157,356	1,157,356
PROGRAM SPECIFIC DISTRIBUTION				
Federal Funds	0	125,000	125,000	125,000
Legal Defense and Defender Fund	<u>12,697</u>	<u>0</u>	<u>0</u>	<u>0</u>
TOTAL	\$ 29,256,168	\$ 31,251,168	\$ 37,862,402	\$ 31,816,237
General Revenue Fund	28,503,733	29,911,634	36,522,868	30,476,091
Federal Funds	0	125,000	125,000	125,000
Legal Defense and Defender Fund	752,435	1,214,534	1,214,534	1,215,146
Full-time equivalent employees	537.42	560.13	566.38	560.13

* Does not include \$250,000 general revenue recommended in the Fiscal Year 2003 Supplemental Appropriations. See the Supplemental Section of the Missouri Budget for details regarding Office of the Public Defender Supplemental Appropriations.

POLICY SUMMARY

The Sixth Amendment of the U.S. Constitution assures that no person accused of a crime and unable to pay for legal assistance shall face trial without counsel. Established in 1982 through Chapter 600, RSMo, the Office of the State Public Defender exists as a "system for providing defense services to every jurisdiction within the state by means of a centrally administered organization having a full-time staff." The State Public Defender System fulfills the constitutional guarantee of legal counsel for persons accused of criminal offenses in Missouri's 45 judicial circuits (embracing 114 counties and the City of St. Louis).

Functioning as an independent department of the Missouri judicial branch, the Office of the State Public Defender is charged with providing legal defense for indigents accused of criminal offenses. Caseload has grown from 73,738 cases in Fiscal Year 1999 to 90,929 projected cases in Fiscal Year 2004, an increase of twenty-three percent.

Advances in the forensic sciences have provided valuable tools to help determine the guilt or innocence of criminal defendants. However, these same tools place a mounting strain on the resources of the public defender system. For example, expanded DNA testing requires the increased use of expert witnesses and independent lab tests. The appropriation to cover these expenses has not increased since Fiscal Year 1996 despite the caseload growth and the expanding costs of modern forensic techniques. To help maintain the constitutionality of the Missouri criminal justice system, the Governor recommends a \$500,000 increase to cover the extraordinary expenses related to the testing and analysis of forensic evidence.

A properly funded public defender system is essential to maintain an efficient, effective, and constitutional criminal justice system. Therefore, the Governor's recommendations provide ongoing funding of \$31.8 million.

Fiscal Year 2004 Governor's Recommendations

- \$500,000 for the increased costs of forensic evidence testing and analysis.
- \$75,429 for pay plan, including \$74,817 general revenue.
- (\$10,360) for one-time reductions.

GENERAL ASSEMBLY

FINANCIAL SUMMARY

	FY 2002 EXPENDITURE	FY 2003 APPROPRIATION	FY 2004 REQUEST
Expenses of the Senate	\$ 10,418,729	\$ 11,112,394	\$ 11,147,584
Expenses of the House of Representatives	18,438,039	20,295,341	20,412,603
Missouri Commission on Interstate Cooperation	283,579	284,403	284,403
Committee on Legislative Research	2,206,049	3,112,747	3,121,009
Interim Committees of the General Assembly	2,333	5,000	5,000
TOTAL	\$ 31,348,729	\$ 34,809,885	\$ 34,970,599
General Revenue Fund	31,218,745	34,189,085	34,349,799
House of Representatives Revolving Fund	23,493	45,000	45,000
Senate Revolving Fund	0	40,000	40,000
Statutory Revision Fund	106,491	535,800	535,800
Full-time equivalent employees	718.35	740.75	740.75

GENERAL ASSEMBLY

EXPENSES OF THE SENATE

Article III of the Missouri Constitution provides for the legislative branch of Missouri state government, consisting of the House of Representatives and the Senate. The Senate is composed of 34 members elected for four-year terms.

The budget of the Senate includes funding for members' statutory salaries; travel reimbursement of 33.5 cents per mile; a per diem that is 80 percent of the federal per diem, now \$75.20; staff support; and interim committee expenses. The Senate appropriation also includes funds for the several joint committees.

Fiscal Year 2004 Request

- \$35,190 for pay plan.

	FY 2002 EXPENDITURE	FY 2003 APPROPRIATION	FY 2004 REQUEST
Salaries of Members	\$ 1,044,867	\$ 1,071,448	\$ 1,071,448
Mileage of Members	53,866	56,435	56,435
Per Diem of Members	183,640	226,100	226,100
Senate Contingent Expenses	8,418,902	9,212,920	9,248,110
Joint Contingent Expenses	324,810	100,000	100,000
Joint Committee on Administrative Rules	88,309	119,707	119,707
Joint Committee on Retirement Systems	151,359	155,000	155,000
Joint Committee on Capital Improvements	110,341	118,964	118,964
Joint Committee on Gaming and Wagering	42,635	51,820	51,820
TOTAL	\$ 10,418,729	\$ 11,112,394	\$ 11,147,584
General Revenue Fund	10,418,729	11,072,394	11,107,584
Senate Revolving Fund	0	40,000	40,000
	233.87	229.75	229.75

GENERAL ASSEMBLY

EXPENSES OF THE HOUSE OF REPRESENTATIVES

Article III of the Missouri Constitution provides for the legislative branch of Missouri state government, consisting of the House of Representative and the Senate. The House is composed of 163 members who are elected for two-year terms.

The budget of the House of Representatives includes funding for the members' statutory salaries; a per diem that is 80 percent of the federal per diem, now \$75.20; travel reimbursement of 33.5 cents per mile; and staff support.

Fiscal Year 2004 Request

- \$117,262 for pay plan.

	FY 2002 EXPENDITURE	FY 2003 APPROPRIATION	FY 2004 REQUEST
Salaries of Members	\$ 5,056,534	\$ 5,117,283	\$ 5,117,283
Mileage of Members	272,794	342,660	342,660
Per Diem of Members	874,996	1,083,950	1,083,950
House Contingent Expenses			
Representatives' Expense Vouchers	1,365,843	1,564,800	1,564,800
Leadership Aides and Secretaries	5,011,452	5,402,364	5,402,364
Research Staff	823,027	974,189	974,189
Committee Operations	294,410	90,000	90,000
House Staff	4,358,557	5,259,738	5,377,000
House Revolving Fund	23,493	45,000	45,000
House Appropriations Staff	356,933	415,357	415,357
TOTAL	\$ 18,438,039	\$ 20,295,341	\$ 20,412,603
General Revenue Fund	18,414,546	20,250,341	20,367,603
House of Representatives Revolving Fund	23,493	45,000	45,000
Full-time equivalent employees	438.95	458.50	458.50

GENERAL ASSEMBLY

INTERSTATE ORGANIZATIONS

Missouri's dues to the Council of State Governments, the National Conference of State Legislatures, and the National Conference of Commissioners on Uniform State Laws are paid from these funds.

Fiscal Year 2004 Request

Continue funding at the current level.

COMMITTEE ON LEGISLATIVE RESEARCH

ADMINISTRATION

In accordance with Sections 23.010 through 23.190, RSMo, a permanent joint committee of the General Assembly is established, comprised of the chair of the Senate Appropriations Committee and nine other Senators, and the chair of the House Budget Committee and nine other Representatives. The Committee on Legislative Research has staff support to perform the following services for the members of the General Assembly:

- Provide a research and reference service on legislative issues.
- Make investigations into legislative and governmental institutions to aid the General Assembly.
- Assist any interim legislative committee or commission created by the General Assembly.
- Draft or aid in drafting bills, resolutions, memorials, and amendments.
- Prepare fiscal notes for legislation introduced in either house of the General Assembly.
- Conduct management audits and performance audits of state agencies.
- Maintain a legislative library for a reference service to the General Assembly and public.

Fiscal Year 2004 Request

- \$8,262 for pay plan.

PUBLISHING REVISED STATUTES

Article III, Section 34 of the Missouri Constitution requires a complete reprinting of the Revised Statutes of Missouri at least every ten years. Funds are provided during interim years to publish cumulative supplements to the revised statutes.

Fiscal Year 2004 Request

Continue funding at the current level.

INTERIM COMMITTEES

These are statutory committees composed of members of the House and Senate and, in some cases, gubernatorial appointees.

Fiscal Year 2004 Request

Continue funding at the current level.

STATEWIDE LEASING

FINANCIAL SUMMARY

	FY 2002 EXPENDITURE	FY 2003 APPROPRIATION	FY 2004 REQUEST	GOVERNOR RECOMMENDS FY 2004
Department of Elementary & Secondary Education	\$ 2,755,741	\$ 3,242,010	\$ 3,277,082	\$ 3,277,082
Department of Higher Education	0	0	336,452	336,452
Department of Revenue	328,617	328,617	2,169,870	2,179,870
Office of Administration	7,033,382	8,854,769	521,745	521,745
Department of Agriculture	69,441	99,289	391,828	391,828
Department of Natural Resources	1,622,512	2,183,493	2,417,281	2,300,471
Department of Economic Development	2,752,171	3,937,310	3,191,887	3,191,887
Department of Insurance	0	0	13,311	13,311
Department of Labor and Industrial Relations	696,396	799,828	922,167	922,167
Department of Public Safety	1,370,904	2,237,886	2,889,911	2,845,776
Department of Corrections	5,941,817	7,054,985	6,636,230	6,636,230
Department of Mental Health	2,431,345	2,570,262	2,729,875	2,729,875
Department of Health and Senior Services	2,492,063	2,626,693	3,913,422	3,913,422
Department of Social Services	14,465,836	18,130,810	19,272,278	19,039,822
Elected Officials	715,469	785,063	942,694	942,694
Judiciary	0	0	852,660	852,660
Operating Budget Transfer	0	3	3	3
TOTAL	\$ 42,675,694	\$ 52,851,018	\$ 50,478,696	\$ 50,095,295
General Revenue Fund	23,308,688	28,249,525	27,165,546	26,961,601
Federal Funds	14,030,835	17,720,754	17,378,286	17,198,830
Other Funds	5,336,171	6,880,739	5,934,864	5,934,864

POLICY SUMMARY

The state leases approximately 550 facilities, comprising more than four million square feet of space for offices, warehouses, parking, schools, labs, and other facilities. The Division of Facilities Management in the Office of Administration is the state agency responsible for the procurement and management of leased space. This service is provided for all state agencies except the Department of Conservation, the Department of Transportation, higher education institutions and the General Assembly. The State of Missouri uses negotiation and competitive public bids to acquire leased space.

Competitive Lease Rates and Space Consolidation Efforts in Facilities Management-Leasing Division

The Fiscal Year 2004-2005 biennial leasing budget includes substantial core reductions due in part to competitive lease rates, space savings achieved through lease consolidation, and other efficiencies.

Budgeting using Benchmarks

The Division of Facilities Management-Leasing Section commissioned an analysis of comparable rental costs in various markets of the state. As shown below, the State of Missouri lease rates are within or below the market rates.

LOCATION	MARKET RANGE	STATE OF MISSOURI ACTUAL AVERAGES
St. Louis City	\$10.98 - \$18.50	\$15.98
St. Louis County	\$12.28 - \$21.88	\$17.28
Kansas City	\$ 9.53 - \$18.91	\$12.33
Cape Girardeau	\$14.90 - \$20.37	\$10.98
West Plains	\$10.68 - \$11.90	\$ 9.20
Jefferson City	\$10.66 - \$12.00	\$ 8.90
Hannibal	\$12.47 - \$14.32	\$ 9.03

STATEWIDE LEASING

POLICY SUMMARY (Continued)

Based on this market analysis, the Fiscal Year 2004-2005 biennial leasing budget was developed using the following per square foot budget factors for expiring leases:

<u>MARKET AREA</u>	<u>BUDGET FACTOR</u>
Metro	\$14.00
St. Louis County	\$17.00
Large City	\$10.75
Outstate	\$10.00

Office and Warehouse Space Consolidation

In recent years the Division of Facilities Management-Leasing Section has consolidated state agencies where possible to improve space efficiencies. Consolidation of numerous leases into one location reduces duplication of conference rooms, break areas, restrooms, and other common areas. The Division of Facilities Management-Leasing Section is recommending further consolidation, including "hoteling" within existing leased facilities. For example, in many of the offices in rural areas several state agencies rent space for one or two people as well as part-time functions. Where possible, the Division of Facilities Management-Leasing Section will vacate those types of leases and encourage space sharing within larger leased facilities. Also, many agencies currently rent warehouse space for storage of excess furniture and material. There is currently a large-scale effort underway to reduce the amount of leased storage space. Elimination of excess items currently in storage can lead to reductions in warehouse leases, resulting in significant annual savings to the state. The Division of Facilities Management is continuing to look for areas where there is the potential for increased efficiencies in the reduction, consolidation, and sharing of space within leased facilities.

REALLOCATION OF CORE DOLLARS AND CENTRALIZED APPROPRIATION

For the Fiscal Year 2004-2005 biennium, the Division of Facilities Management-Leasing Section has redirected core dollars for all continuing lease requirements, thereby significantly reducing the amount of new money needed in the leasing budget.

The Division of Facilities Management works closely with state agencies on requests to obtain space for program needs in a cost effective manner. A space analysis ensures compliance with established standards and the efficient use of space. Construction inspectors perform on-site inspections to ensure compliance with building codes and applicable laws. In addition to the centralized procurement process, the state's leasing obligations are identified in a single appropriation bill. The centralized appropriation allows for improved management of leasing costs, accountability of leasing operations, and reporting of the state's leasing activities.

Beginning in Fiscal Year 2002 the Missouri budget began using a biennial appropriations process for Statewide Leasing. As with the Capital Improvements appropriation bill, a biennial process permits the state to more efficiently and economically manage leased facilities and the leasing procurement process. [Table 1](#) summarizes the \$100.7 million enhanced statewide leasing program for the Fiscal Years 2004-2005 biennial budget.

The Division of Facilities Management-Leasing Section put into place a policy to address the issue of agency special requirement requests needed to support program delivery. Typically, these items are over and above the standard facility specifications. Agencies are required to identify and prioritize needs and submit and defend budget requests for these items to the budget office and the General Assembly.

The Fiscal Year 2004-2005 biennial leasing budget includes a contingency appropriation for rent shortfalls. It is critical to have a rent shortfall contingency appropriation in the leasing biennial budget so that the state does not default on payment of rent.

HISTORIC PRESERVATION, DOWNTOWN REVITALIZATION AND THE LOCATIONS OF STATE BUILDINGS

Governor Holden's Executive Order

In Fiscal Year 2002 the Governor signed Executive Order 01-22 requiring leased facilities to be located in central downstate districts throughout the state. The Division of Facilities Management-Leasing Section is responsible for implementing the executive order in cooperation with the Missouri Departments of Economic Development and Natural Resources. The Division of Facilities Management-Leasing Section now gives preference to locations in central business and revitalization areas and in historic buildings. Projects underway include the Marquette Hotel in Cape Girardeau, the Commercial Hotel in Boonville, the Hass Building in Neosho, and the Palace Hotel in Butler.

STATEWIDE LEASING

POLICY SUMMARY (Continued)

Old Post Office

Private developers from St. Louis, Missouri, have proposed renovation of the historic U.S. Custom House and Post Office building located in downtown St. Louis, and commonly known as the Old Post Office. One tenant of the renovated building will be the Missouri Eastern District Court of Appeals, which was seeking space to better meet their needs. The court is currently located in the Wainwright State Office Building and the Fiscal Year 2004-2005 leasing budget includes funds for the court's new lease.

DEPARTMENT OF ELEMENTARY AND SECONDARY EDUCATION

The Department of Elementary and Secondary Education occupies leased facilities in Jefferson City, St. Louis, and several other locations statewide for Vocational Rehabilitation and Disability Determination offices and State Schools for Severely Handicapped children.

Fiscal Year 2004 Governor's Recommendations

- \$196,879 other funds transferred in from the operating budget.
- (\$107,471) other funds reallocated to various departmental leasing budgets.
- (\$53,136) core reduction from the Fiscal Year 2003 appropriation level, including (\$48,737) general revenue.
- (\$1,200) other funds transferred to the operating budget.

DEPARTMENT OF HIGHER EDUCATION

The Department of Higher Education occupies leased facilities in Jefferson City for the purpose of housing staff and operations for the Coordinating Board for Higher Education.

- \$439,365 reallocated from the Office of Administration's combined leasing budget to the Department of Higher Education's new leasing budget, including \$144,544 general revenue.
- (\$102,913) core reduction from the Fiscal Year 2003 appropriation level, including (\$23,234) general revenue.

DEPARTMENT OF REVENUE

The Department of Revenue occupies leased facilities throughout the state for the State Lottery Commission.

Fiscal Year 2004 Governor's Recommendations

- \$1,958,861 reallocated from the Office of Administration's combined leasing budget to the Department of Revenue's leasing budget, including \$1,074,223 general revenue.
- \$10,000 for increased leasing costs.
- (\$99,775) other funds transferred to the Department of Transportation's operating budget, including (\$6,660) general revenue.
- (\$17,833) other funds core reduction from the Fiscal Year 2003 appropriation level.

OFFICE OF ADMINISTRATION

Beginning with the Fiscal Year 1995 budget, appropriations for leasing have been consolidated into one appropriation bill. As part of the consolidated effort, all multi-tenant leases have been consolidated to the Office of Administration. Rent for the Divisions of General Services, Design and Construction, Facilities Management, Information Services, Budget and Planning, and the Ethics Commission is paid by the Office of Administration.

Fiscal Year 2004 Governor's Recommendations

- (\$2,251,525) reallocated to the Department of Social Services' leasing budget, including (\$1,273,531) general revenue.
- (\$1,762,827) reallocated to the Department of Revenue's leasing budget, including (\$914,150) general revenue.
- (\$825,155) reallocated to the Judiciary's leasing budget, including (\$701,659) general revenue.
- (\$594,500) reallocated to the Department of Natural Resources' leasing budget, including (\$89,175) general revenue.
- (\$518,286) reallocated to the Department of Public Safety's leasing budget, including (\$481,937) general revenue.
- (\$439,365) reallocated to the Department of Higher Ed leasing budget, including (\$144,544) general revenue.
- (\$437,438) reallocated to the Department of Corrections' leasing budget.

STATEWIDE LEASING

OFFICE OF ADMINISTRATION (Continued)

- (\$298,590) reallocated to the Department of Agriculture's leasing budget.
- (\$280,458) reallocated to the Department of Health and Senior Services' leasing budget, including (\$92,371) general revenue.
- (\$258,637) transferred to the Office of Administration's operating budget.
- (\$201,371) reallocated to the Department of Mental Health's leasing budget.
- (\$188,248) reallocated to the Secretary of State's leasing budget, including (\$187,991) general revenue.
- (\$147,569) core reduction from the Fiscal Year 2003 appropriation level, including (\$146,729) general revenue.
- (\$46,840) reallocated to the Department of Economic Development's leasing budget.
- (\$39,068) other funds reallocated to the Department of Labor and Industrial Relations' leasing budget.
- (\$35,048) core reduction from the Fiscal Year 2003 appropriation level.
- (\$8,099) other funds reallocated to the Department of Insurance's leasing budget.

DEPARTMENT OF AGRICULTURE

The Department of Agriculture occupies leased facilities in Jefferson City, Kansas City, and several other locations statewide for the Divisions of Grain Inspection and Warehousing, Market Development, Plant Industries, and the State Milk Board.

Fiscal Year 2004 Governor's Recommendations

- \$314,602 reallocated from the Office of Administration's combined leasing budget to the Department of Agriculture's leasing budget.
- (\$16,113) other funds core reduction from the Fiscal Year 2003 appropriation level.
- (\$5,950) transferred to the Department of Agriculture's operating budget.

DEPARTMENT OF NATURAL RESOURCES

The Department of Natural Resources occupies leased facilities throughout the state for the Division of Energy, the Division of State Parks, and the regional offices of the Water Protection and Soil Conservation Division and the Air and Land Protection Division.

Fiscal Year 2004 Governor's Recommendations

- \$594,500 reallocated from the Office of Administration's lease and/or state owned budget to the Department of Natural Resource's leasing budget, including \$89,175 general revenue.
- \$40,989 other funds for new space.
- (\$518,511) core reduction from the Fiscal Year 2003 appropriation level, including (\$34,811) general revenue.

DEPARTMENT OF ECONOMIC DEVELOPMENT

The Department of Economic Development occupies leased facilities in Jefferson City, St. Louis, and several other locations statewide for the Divisions of Workforce Development, Finance, Credit Unions, Tourism, Motor Carriers and Railroad Safety, Professional Registration, and the Public Service Commission.

Fiscal Year 2004 Governor's Recommendations

- \$63,400 reallocated from the Office of Administration's combined leasing budget to the Department of Economic Development's leasing budget, including \$46,840 general revenue.
- (\$590,009) core reduction from the Fiscal Year 2003 appropriation level, including (\$26,684) general revenue.
- (\$217,014) other funds transferred from the Department of Economic Development's leasing budget to the Department of Transportation's operating budget.
- (\$1,800) transferred from the Department of Economic Development's leasing budget to Department of Economic Development's operating budget.

STATEWIDE LEASING

DEPARTMENT OF INSURANCE

The Leasing budget includes funds for parking leases for the Department of Insurance.

Fiscal Year 2004 Governor's Recommendations

- \$14,211 other funds reallocated to Department of Insurance's leasing budget.
- (\$900) other funds transferred to Department of Insurance's operating budget.

DEPARTMENT OF LABOR AND INDUSTRIAL RELATIONS

The Department of Labor and Industrial Relations occupies leased facilities throughout the state for the director and staff, Commission on Human Rights, Labor Commission, State Board of Mediation, and the Divisions of Employment Security, Workers' Compensation, and Labor Standards.

Fiscal Year 2004 Governor's Recommendations

- \$172,189 other funds reallocated to the Department of Labor and Industrial Relations' leasing budget.
- (\$30,811) transferred to the Department of Labor and Industrial Relations' operating budget.
- (\$19,039) core reduction from the Fiscal Year 2003 appropriation level.

DEPARTMENT OF PUBLIC SAFETY

The Department of Public Safety occupies leased facilities throughout the state for the Missouri State Highway Patrol, the Adjutant General, and the Gaming Commission.

Fiscal Year 2004 Governor's Recommendations

- \$561,376 reallocated from various other leasing budgets, including \$481,937 general revenue.
- \$350,000 federal funds for the National Guard to meet federally mandated leasing requirements.
- (\$214,746) core reduction from the Fiscal Year 2003 appropriation level, including (\$212,597) general revenue.
- (\$88,740) transferred to the Department of Public Safety's operating budget, including (\$1,425) general revenue.

DEPARTMENT OF CORRECTIONS

The Department of Corrections occupies leased facilities throughout the state for the Office of the Director, the Board of Probation and Parole, and Missouri Vocational Enterprises.

Fiscal Year 2004 Governor's Recommendations

- \$30,457 reallocated to the Department of Corrections' leasing budget.
- (\$297,841) transferred to the Department of Correction's operating budget.
- (\$151,371) core reduction from the Fiscal Year 2003 appropriation level, including (\$31,750) general revenue.

DEPARTMENT OF MENTAL HEALTH

The Department of Mental Health occupies leased facilities throughout the state for the Office of the Director and the Divisions of Alcohol and Drug Abuse, Comprehensive Psychiatric Services, and Mental Retardation/Developmental Disabilities.

Fiscal Year 2004 Governor's Recommendations

- \$240,678 general revenue reallocated to the Department of Mental Health's leasing budget.
- \$1,619 general revenue transferred to the Department of Mental Health's leasing budget from the Department of Mental Health's operating budget.
- (\$58,438) transferred to the Department of Mental Health's operating budget, including (\$55,401) general revenue.
- (\$24,246) core reduction from the Fiscal Year 2003 appropriation level, including (\$2,000) in general revenue.

STATEWIDE LEASING

DEPARTMENT OF HEALTH AND SENIOR SERVICES

The Department of Health and Senior Services occupies leased facilities throughout the state for local and district offices to support its operations.

Fiscal Year 2004 Governor's Recommendations

- \$1,309,105 reallocated to the Department of Health and Senior Services' leasing budget, including \$729,131 general revenue.
- (\$22,376) general revenue core reduction from the Fiscal Year 2003 appropriation level.

DEPARTMENT OF SOCIAL SERVICES

The Department of Social Services occupies leased facilities throughout the state for the Divisions of Aging, Child Support Enforcement, Data Processing, Family Services, General Services, Legal Services, Medical Services, and Youth Services.

Fiscal Year 2004 Governor's Recommendations

- \$1,207,366 reallocated to the Department of Social Services' leasing budget, including \$773,300 general revenue.
- \$230,330 for the Department of Social Services' special requirements, including \$185,791 general revenue.
- (\$413,084) core reduction from the Fiscal Year 2003 appropriation level, including (\$137,148) in general revenue.
- (\$115,600) transferred to the Department of Social Services' operating budget, including (\$68,200) general revenue.

ELECTED OFFICIALS

The Attorney General, State Auditor, and State Treasurer occupy leased facilities and/or parking in Jefferson City, St. Louis, Kansas City, Springfield, and Cape Girardeau.

Fiscal Year 2004 Governor's Recommendations

- \$253,104 reallocated to various elected officials' leasing budgets, including \$221,546 general revenue.
- (\$93,553) core reduction from the Fiscal Year 2003 appropriation level, including (\$16,536) general revenue.
- (\$1,920) transferred to various elected officials' operating budgets.

JUDICIARY

The Judiciary occupies leased facilities in Jefferson City for the Office of State Courts Administrator.

Fiscal Year 2004 Governor's Recommendations

- \$852,660 reallocated to the Judiciary's leasing budget, including \$723,164 general revenue.

OPERATING BUDGET TRANSFER

Statewide leasing appropriations can only be used for rent and systems furniture payments in leased facilities. This transfer mechanism allows monies to be transferred from the leasing budget to the operating budget when funds are needed in state-owned rather than leased facilities. All transfers are cost neutral.

Fiscal Year 2004 Governor's Recommendations

Continue funding at current level.

TABLE 1
FISCAL YEAR 2004 - 2005 STATEWIDE LEASING SUMMARY

	General Revenue	Federal Funds	Other Funds	Total
Elementary and Secondary Education				
First Year of Biennium	\$ 344,477	\$ 2,932,605	\$ 0	\$ 3,277,082
Second Year of Biennium	344,477	2,932,605	0	3,277,082
Subtotal	688,954	5,865,210	0	6,554,164
Higher Education				
First Year of Biennium	\$ 121,310	\$ 8,478	\$ 206,664	\$ 336,452
Second Year of Biennium	121,310	8,478	206,664	336,452
Subtotal	242,620	16,956	413,328	672,904
Revenue				
First Year of Biennium	1,077,563	0	1,102,307	2,179,870
Second Year of Biennium	1,077,563	0	1,102,307	2,179,870
Subtotal	2,155,126	0	2,204,614	4,359,740
Office of Administration				
First Year of Biennium	389,885	57,500	74,360	521,745
Second Year of Biennium	274,885	0	16,860	291,745
Subtotal	664,770	57,500	91,220	813,490
Agriculture				
First Year of Biennium	330,111	0	61,717	391,828
Second Year of Biennium	330,111	0	61,717	391,828
Subtotal	660,222	0	123,434	783,656
Natural Resources				
First Year of Biennium	524,371	847,946	928,154	2,300,471
Second Year of Biennium	524,371	847,946	928,154	2,300,471
Subtotal	1,048,742	1,695,892	1,856,308	4,600,942
Economic Development				
First Year of Biennium	101,714	1,866,470	1,223,703	3,191,887
Second Year of Biennium	101,714	1,866,470	1,223,703	3,191,887
Subtotal	203,428	3,732,940	2,447,406	6,383,774
Insurance				
First Year of Biennium	0	0	13,311	13,311
Second Year of Biennium	0	0	13,311	13,311
Subtotal	0	0	26,622	26,622

TABLE 1
FISCAL YEAR 2004 - 2005 STATEWIDE LEASING SUMMARY
(Continued)

	General Revenue	Federal Funds	Other Funds	Total
Labor & Industrial Relations				
First Year of Biennium	80,810	295,641	545,716	922,167
Second Year of Biennium	80,810	295,641	545,716	922,167
Subtotal	161,620	591,282	1,091,432	1,844,334
Public Safety				
First Year of Biennium	267,915	1,400,659	1,177,202	2,845,776
Second Year of Biennium	267,915	1,400,659	1,177,202	2,845,776
Subtotal	535,830	2,801,318	2,354,404	5,691,552
Corrections				
First Year of Biennium	6,582,266	0	53,964	6,636,230
Second Year of Biennium	6,582,266	0	53,964	6,636,230
Subtotal	13,164,532	0	107,928	13,272,460
Mental Health				
First Year of Biennium	2,698,308	31,567	0	2,729,875
Second Year of Biennium	2,698,308	31,567	0	2,729,875
Subtotal	5,396,616	63,134	0	5,459,750
Health				
First Year of Biennium	2,055,795	1,838,105	19,522	3,913,422
Second Year of Biennium	2,055,795	1,838,105	19,522	3,913,422
Subtotal	4,111,590	3,676,210	39,044	7,826,844
Social Services				
First Year of Biennium	11,118,710	7,869,076	52,036	19,039,822
Second Year of Biennium	10,870,289	7,774,187	52,036	18,696,512
Subtotal	21,988,999	15,643,263	104,072	37,736,334
Elected Officials				
First Year of Biennium	545,201	19,269	378,224	942,694
Second Year of Biennium	545,201	19,269	378,224	942,694
Subtotal	1,090,402	38,538	756,448	1,885,388
Judiciary				
First Year of Biennium	723,164	31,513	97,983	852,660
Second Year of Biennium	1,841,679	31,513	97,983	1,971,175
Subtotal	2,564,843	63,026	195,966	2,823,835

TABLE 1
FISCAL YEAR 2004 - 2005 STATEWIDE LEASING SUMMARY
(Continued)

	General Revenue	Federal Funds	Other Funds	Total
Operating Budget Transfer				
First Year of Biennium	1	1	1	3
Second Year of Biennium	1	1	1	3
Subtotal	2	2	2	6
 Total for First Year of Biennium	26,961,601	17,198,830	5,934,864	50,095,295
Total for Second Year of Biennium	27,716,695	17,046,441	5,877,364	50,640,500
 Grand Total \$	54,678,296 \$	34,245,271 \$	11,812,228 \$	100,735,795

SUPPLEMENTAL APPROPRIATIONS

The Governor's recommendations for Fiscal Year 2003 Supplemental Appropriations include \$70,397,415 general revenue, \$166,835,906 federal funds, and \$15,282,199 other funds, for a total of \$252,515,520.

OFFICE OF ADMINISTRATION DIVISION OF ACCOUNTING

H.B. Sec. 14.005	GOVERNOR'S ORIGINAL RECOMMENDATION	ORIGINAL APPROPRIATION	CURRENT REQUEST	GOVERNOR RECOMMENDS
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PROGRAM SPECIFIC DISTRIBUTION

General Revenue Fund	\$	0	\$	0	\$	1E	\$	1E
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The Governor recommends \$1 on an open-ended basis for payment of principal and interest and all other amounts due on the bonds issued by the Board of Public Buildings pursuant to Sections 8.500 through 8.595, RSMo, in the event and to the extent that tobacco settlement revenues sold by the state to the Tobacco Settlement Financing Authority to secure such bonds pursuant to Sections 8.500 through 8.595, RSMo, are not sufficient to make such payments.

OFFICE OF ADMINISTRATION DIVISION OF ACCOUNTING

H.B. Sec. 14.010	GOVERNOR'S ORIGINAL RECOMMENDATION	ORIGINAL APPROPRIATION	CURRENT REQUEST	GOVERNOR RECOMMENDS
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PROGRAM SPECIFIC DISTRIBUTION

Tobacco Securitization Settlement Trust Fund/Bond Proceeds Fund	\$	0	\$	0	\$	1E	\$	1E
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The Governor recommends \$1 on an open-ended basis from the tobacco securitization settlement trust fund/bond proceeds fund to the general revenue fund for costs related to the program plan as defined in Section 8.505, RSMo.

DEPARTMENT OF ELEMENTARY AND SECONDARY EDUCATION DIVISION OF GENERAL ADMINISTRATION

H.B. Sec. 15.005	GOVERNOR'S ORIGINAL RECOMMENDATION	ORIGINAL APPROPRIATION	CURRENT REQUEST	GOVERNOR RECOMMENDS
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EXPENSE AND EQUIPMENT

General Revenue Fund	\$	438,600	\$	135,254	\$	0	\$	0
Federal Funds		4,123,608		1,179,070		200,000		200,000
Lottery Proceeds Fund		110,880		110,880		0		0
TOTAL	\$	4,673,088	\$	1,425,204	\$	200,000	\$	200,000

The Governor recommends \$200,000 to implement provisions of the federal No Child Left Behind Act of 2001.

**SUPPLEMENTAL APPROPRIATIONS
DEPARTMENT OF ELEMENTARY AND SECONDARY EDUCATION
DIVISION OF SCHOOL IMPROVEMENT**

H.B. Sec. 15.010	GOVERNOR'S ORIGINAL RECOMMENDATION	ORIGINAL APPROPRIATION	CURRENT REQUEST	GOVERNOR RECOMMENDS
EXPENSE AND EQUIPMENT				
General Revenue Fund	\$ 241,319	\$ 204,999	\$ 0	\$ 0
Federal Funds	789,300	1,126,077	1,700,000	1,700,000
Outstanding Schools Trust Fund	14,100	28,120	0	0
TOTAL	\$ 1,044,719	\$ 1,359,196	\$ 1,700,000	\$ 1,700,000

The Governor recommends \$1,700,000 to carry out activities related to the federal No Child Left Behind Act of 2001.

**DEPARTMENT OF ELEMENTARY AND SECONDARY EDUCATION
DIVISION OF SCHOOL IMPROVEMENT
LANGUAGE ACQUISITION**

H.B. Sec. 15.015	GOVERNOR'S ORIGINAL RECOMMENDATION	ORIGINAL APPROPRIATION	CURRENT REQUEST	GOVERNOR RECOMMENDS
PROGRAM SPECIFIC DISTRIBUTION				
Federal Funds	\$ 0	\$ 1,700,000	\$ 900,000	\$ 900,000

The Governor recommends \$900,000 for the expenditure of federal carryover funds to ensure that children attain English proficiency.

**DEPARTMENT OF ELEMENTARY AND SECONDARY EDUCATION
DIVISION OF SCHOOL IMPROVEMENT
FEDERAL REFUGEE PROGRAM**

H.B. Sec. 15.020	GOVERNOR'S ORIGINAL RECOMMENDATION	ORIGINAL APPROPRIATION	CURRENT REQUEST	GOVERNOR RECOMMENDS
PROGRAM SPECIFIC DISTRIBUTION				
Federal Funds	\$ 400,000	\$ 400,000	\$ 450,000	\$ 450,000

The Governor recommends \$450,000 for expenditure of carryover funds through the Refugee Children School Impact Grants Program that provides funding to school districts for the costs of educating refugee children.

**DEPARTMENT OF ELEMENTARY AND SECONDARY EDUCATION
DIVISION OF VOCATIONAL REHABILITATION**

H.B. Sec. 15.025	GOVERNOR'S ORIGINAL RECOMMENDATION	ORIGINAL APPROPRIATION	CURRENT REQUEST	GOVERNOR RECOMMENDS
PROGRAM SPECIFIC DISTRIBUTION				
General Revenue Fund	\$ 9,903,170	\$ 9,903,170	\$ 0	\$ 0
Federal Funds	31,256,700	31,256,700	4,648,860	4,648,860
Lottery Proceeds Fund	1,400,000	1,400,000	0	0
TOTAL	\$ 42,559,870	\$ 42,559,870	\$ 4,648,860	\$ 4,648,860

The Governor recommends \$4,648,860 to expend available federal grants to assist persons with disabilities.

**SUPPLEMENTAL APPROPRIATIONS
DEPARTMENT OF REVENUE
DIVISION OF ADMINISTRATION**

H.B. Sec. 15.030	GOVERNOR'S ORIGINAL RECOMMENDATION	ORIGINAL APPROPRIATION	CURRENT REQUEST	GOVERNOR RECOMMENDS
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EXPENSE AND EQUIPMENT

General Revenue Fund	\$	0	\$	0	\$	9,175	\$	9,175
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The Governor recommends \$9,175 for payment of court costs and attorney fees resulting from a disputed sales tax case.

**DEPARTMENT OF TRANSPORTATION
AMTRAK RAIL PASSENGER SERVICE**

H.B. Sec. 15.035	GOVERNOR'S ORIGINAL RECOMMENDATION	ORIGINAL APPROPRIATION	CURRENT REQUEST	GOVERNOR RECOMMENDS
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PROGRAM SPECIFIC DISTRIBUTION

General Revenue Fund	\$	0	\$	3,500,000	\$	1,305,000	\$	1,200,000
State Transportation Fund		1,500,000		1,500,000		0		0
Budget Reserve Fund		4,700,000		0		0		0
TOTAL	\$	6,200,000	\$	5,000,000	\$	1,305,000	\$	1,200,000

The Governor recommends \$1,200,000 to continue twice-daily Amtrak rail passenger service throughout the state.

**OFFICE OF ADMINISTRATION
DIVISION OF ACCOUNTING**

H.B. Sec. 15.040	GOVERNOR'S ORIGINAL RECOMMENDATION	ORIGINAL APPROPRIATION	CURRENT REQUEST	GOVERNOR RECOMMENDS
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EXPENSE AND EQUIPMENT

General Revenue Fund	\$	0	\$	0	\$	1E	\$	1E
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The Governor recommends \$1 on an open-ended basis to pay for contracts that will help maximize reimbursements to the state.

**DEPARTMENT OF PUBLIC SAFETY
OFFICE OF THE DIRECTOR
LOCAL LAW ENFORCEMENT BLOCK GRANT PROGRAM**

H.B. Sec. 15.045	GOVERNOR'S ORIGINAL RECOMMENDATION	ORIGINAL APPROPRIATION	CURRENT REQUEST	GOVERNOR RECOMMENDS
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PROGRAM SPECIFIC DISTRIBUTION

Federal Funds	\$	675,000	\$	675,000	\$	125,000	\$	125,000
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The Governor recommends \$125,000 for Local Law Enforcement Block Grants to assist local law enforcement agencies.

**SUPPLEMENTAL APPROPRIATIONS
DEPARTMENT OF PUBLIC SAFETY
CAPITOL POLICE**

H.B. Sec. 15.050	GOVERNOR'S ORIGINAL RECOMMENDATION	ORIGINAL APPROPRIATION	CURRENT REQUEST	GOVERNOR RECOMMENDS
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EXPENSE AND EQUIPMENT

General Revenue Fund	\$ 939,350	\$ 591,944	\$ 101,752	\$ 83,994
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The Governor recommends \$83,994 for contract security personnel to safeguard vital assets in the Capitol Complex.

**DEPARTMENT OF PUBLIC SAFETY
ADJUTANT GENERAL
MISSOURI MILITARY FORCES CONTRACT SERVICES**

H.B. Sec. 15.055	GOVERNOR'S ORIGINAL RECOMMENDATION	ORIGINAL APPROPRIATION	CURRENT REQUEST	GOVERNOR RECOMMENDS
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PERSONAL SERVICE

Federal Funds	\$ 6,885,421	\$ 6,885,421	\$ 240,000	\$ 240,000
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The Governor recommends \$240,000 and 15 staff to secure National Guard facilities.

**DEPARTMENT OF CORRECTIONS
DIVISION OF OFFENDER REHABILITATIVE SERVICES**

H.B. Sec. 15.060	GOVERNOR'S ORIGINAL RECOMMENDATION	ORIGINAL APPROPRIATION	CURRENT REQUEST	GOVERNOR RECOMMENDS
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PERSONAL SERVICE	\$ 0	\$ 3,959,663	\$ 0	\$ 0
PERSONAL SERVICE AND/OR EXPENSE AND EQUIPMENT	<u>79,850,137</u>	<u>75,890,474</u>	<u>1,661,662</u>	<u>1,661,662</u>
TOTAL				
General Revenue Fund	\$ 79,850,137	\$ 79,850,137	\$ 1,661,662	\$ 1,661,662

The Governor recommends \$1,661,662 for inmate population-driven medical contract costs.

**DEPARTMENT OF MENTAL HEALTH
OFFICE OF DIRECTOR
ICF/MR UPPER PAYMENT LIMIT**

H.B. Sec. 15.065	GOVERNOR'S ORIGINAL RECOMMENDATION	ORIGINAL APPROPRIATION	CURRENT REQUEST	GOVERNOR RECOMMENDS
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PROGRAM SPECIFIC DISTRIBUTION

Federal Funds	\$ 18,000,000	\$ 18,000,000	\$ 2,167,916	\$ 2,167,916
Mental Health Intergovernmental Transfer Fund	<u>12,000,000</u>	<u>12,000,000</u>	<u>1,372,695</u>	<u>1,372,695</u>
TOTAL	\$ 30,000,000	\$ 30,000,000	\$ 3,540,611	\$ 3,540,611

The Governor recommends \$3,540,611 for additional appropriation authority for the increased Medicaid payments related to state-operated ICF/MR upper payment limit claim payments.

**SUPPLEMENTAL APPROPRIATIONS
DEPARTMENT OF SOCIAL SERVICES
DIVISION OF BUDGET AND FINANCE
NEGLECTED AND DELINQUENT CHILDREN**

H.B. Sec. 15.070	GOVERNOR'S ORIGINAL RECOMMENDATION	ORIGINAL APPROPRIATION	CURRENT REQUEST	GOVERNOR RECOMMENDS
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PROGRAM SPECIFIC DISTRIBUTION

General Revenue Fund	\$ 4,360,000E	\$ 3,842,000	\$ 370,000	\$ 370,000
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The Governor recommends \$370,000 to meet the state payments to counties for support of delinquent and neglected children.

**DEPARTMENT OF SOCIAL SERVICES
DIVISION OF FAMILY SERVICES
BLIND PENSIONS**

H.B. Sec. 15.075	GOVERNOR'S ORIGINAL RECOMMENDATION	ORIGINAL APPROPRIATION	CURRENT REQUEST	GOVERNOR RECOMMENDS
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PROGRAM SPECIFIC DISTRIBUTION

Blind Pension Fund	\$ 18,443,348	\$ 18,443,348	\$ 350,000	\$ 350,000
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The Governor recommends \$350,000 for increased expenditures of blind pension funds due to caseload growth.

**DEPARTMENT OF SOCIAL SERVICES
DIVISION OF FAMILY SERVICES
COMMUNITY SERVICES BLOCK GRANT**

H.B. Sec. 15.080	GOVERNOR'S ORIGINAL RECOMMENDATION	ORIGINAL APPROPRIATION	CURRENT REQUEST	GOVERNOR RECOMMENDS
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PROGRAM SPECIFIC DISTRIBUTION

Federal Funds	\$ 15,603,980	\$ 15,603,980	\$ 3,540,191	\$ 3,540,191
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The Governor recommends \$3,540,191 to help local communities address social needs.

**DEPARTMENT OF SOCIAL SERVICES
DIVISION OF FAMILY SERVICES
CHILDREN'S PROGRAM POOL**

H.B. Sec. 15.085	GOVERNOR'S ORIGINAL RECOMMENDATION	ORIGINAL APPROPRIATION	CURRENT REQUEST	GOVERNOR RECOMMENDS
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PROGRAM SPECIFIC DISTRIBUTION

General Revenue Fund	\$ 9,878,918	\$ 9,678,918	\$ 5,268,188	\$ 5,268,188
Federal Funds	9,273,261	9,273,261	2,874,045	2,874,045
TOTAL	\$ 19,152,179	\$ 18,952,179	\$ 8,142,233	\$ 8,142,233

The Governor recommends \$8,142,233 to meet the state's child welfare program needs.

**SUPPLEMENTAL APPROPRIATIONS
DEPARTMENT OF SOCIAL SERVICES
DIVISION OF MEDICAL SERVICES
MEDICAID SUPPLEMENTAL POOL**

H.B. Sec. 15.090	GOVERNOR'S ORIGINAL RECOMMENDATION	ORIGINAL APPROPRIATION	CURRENT REQUEST	GOVERNOR RECOMMENDS
PROGRAM SPECIFIC DISTRIBUTION				
General Revenue Fund	\$ 0	\$ 0	\$ 61,504,394	\$ 61,504,394
Federal Funds	209,880,516E	106,109,580	149,989,894	149,989,894
Uncompensated Care Fund	6,100,000E	0	0	0
Pharmacy Rebates Fund	2,330,000E	0	0	0
Third Party Liability Collections Fund	24,130,000E	11,400,000	0	0
Federal Reimbursement Allowance Fund	2,033,333E	0	0	
Intergovernmental Transfer Fund	1E	56,190,420	10,729,786	10,729,786
Premium Fund	0	0	2,829,718	2,829,718
TOTAL	\$ 244,473,850E	\$ 173,700,000	\$ 225,053,792	\$ 225,053,792

The Governor recommends \$225,053,792 in the Medicaid supplemental pool for anticipated costs for existing Medicaid programs.

**ELECTED OFFICIALS
OFFICE OF THE GOVERNOR**

H.B. Sec. 15.095	GOVERNOR'S ORIGINAL RECOMMENDATION	ORIGINAL APPROPRIATION	CURRENT REQUEST	GOVERNOR RECOMMENDS
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EXPENSE AND EQUIPMENT				
General Revenue Fund	\$ 100,000E	\$ 0	\$ 50,000	\$ 50,000

The Governor recommends \$50,000 for conducting special audits pursuant to Section 26.060, RSMo.

OFFICE OF THE STATE PUBLIC DEFENDER

H.B. Sec. 15.100	GOVERNOR'S ORIGINAL RECOMMENDATION	ORIGINAL APPROPRIATION	CURRENT REQUEST	GOVERNOR RECOMMENDS
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EXPENSE AND EQUIPMENT				
General Revenue Fund	\$ 2,059,850	\$ 2,059,850	\$ 720,948	\$ 250,000

The Governor recommends \$250,000 for extraordinary expenses related to legal representation and cases where conflict of interest exist.

CAPITAL IMPROVEMENTS

POLICY SUMMARY

The State of Missouri owns and operates many facilities located throughout the state. These facilities serve as the base from which essential state services are provided. Good stewardship of state facilities demands that adequate resources be devoted to facility upkeep. Governor Holden's capital improvements budget for the Fiscal Year 2004-2005 biennium focuses on essential maintenance, repair, and corrective construction projects that must be completed to adequately maintain state assets and to permit high-priority programs to continue functioning effectively.

Missouri uses a biennial appropriations process for capital improvements. A biennial approach permits the state to complete projects more efficiently and economically, improves capital planning, and reduces the need for reappropriations. [Table 1](#) summarizes the \$304.5 million capital improvements program for the Fiscal Years 2004-2005 biennial budget:

- \$167.5 million is recommended for Fiscal Year 2004, including \$43.1 million general revenue.
- \$137.1 million is recommended for Fiscal Year 2005, including \$50.6 million general revenue.

Tables [2](#) and [3](#) illustrate the allocation of funds among state agencies for the projects recommended by the Governor for Fiscal Years 2004-2005. As the tables indicate, the Governor recommends:

- \$123.4 million for vital maintenance and repairs to state-owned facilities, including \$82.3 million from the facilities maintenance and reserve fund.
- \$181.1 million for planning, renovation, new construction, land acquisition, and other improvements, including \$5.7 million general revenue.

SUPPORT FOR VETERANS

In recognition of the debt owed to veterans by all Missourians, Governor Holden is committed to providing quality facilities for our aging veterans. The Fiscal Years 2004-2005 budget contains:

- \$8 million for various repairs and improvements at veterans' homes in Cape Girardeau, St. Louis, Cameron, St. James, and Warrensburg.
- \$806,607 to construct a columbarium at the Springfield Veterans' Cemetery.

ENHANCING MISSOURI STATE PARKS AND HISTORIC SITES

Since the one-tenth of one percent parks and soil sales tax was first approved in 1984, Missourians and visitors to our state parks and historic sites have benefited. With the sales tax proceeds the Department of Natural Resources has remodeled campgrounds, provided paved campground roads, built new shower houses and restrooms, made landscape and building renovations, and provided new education and site interpretation centers and programs. The Governor recommends \$15.4 million for construction and maintenance projects at Missouri state parks and historic sites in the biennial budget, including:

- \$8.4 million for construction, major renovations, and improvements to state park facilities.
- \$5.5 million for various maintenance and repair projects statewide.
- \$1.5 million to upgrade state park campsite accommodations.

IMPROVEMENTS AT STATE BOARD OPERATED SCHOOLS

In addition to funding from the facilities maintenance reserve fund, a portion of anticipated Fiscal Years 2004-2005 bingo revenue is recommended for capital improvement projects at State Board Operated Schools, the Missouri School for the Blind, and the Missouri School for the Deaf, including:

- \$4 million for maintenance and repair projects.
- \$635,734 for asbestos abatement needs assessments.

CAPITAL IMPROVEMENTS

POLICY SUMMARY (Continued)

COMMUNITY CORRECTIONS CENTERS

The Department of Corrections has secured approval from the U.S. Department of Justice to use Violent Offender Incarceration and Truth-in-Sentencing Incentive Grant Program funds for construction of seven community corrections centers. Through this agreement, the federal government will pay 90 percent of the project cost, which is approximately \$30 million, while the state pays the remaining ten percent. All construction will be completed by the close of Fiscal Year 2005, as program funding expires in Fiscal Year 2006.

Studies have shown that certain offenders can be more effectively supervised in their local community rather than being placed in a correctional facility. This includes offenders admitted to short-term shock/treatment incarceration with no previous criminal convictions and those offenders at risk for returning to prison due to probation and parole technical violations. Each community corrections center will be secure and will include administrative offices, classrooms, dormitory-style housing, multipurpose space, and drug testing facilities. The centers will ensure that high-cost prison space is maintained for the most serious offenders. The centers are designed as an alternative to incarceration with the expectation that judges will use this space responsibly. Success of the centers will delay the need to construct a new prison. Governor Holden recognizes this as an effective alternative to incarceration and recommends:

- \$30.7 million for construction of community corrections centers, including \$3.1 million general revenue.

OTHER CAPITAL IMPROVEMENTS

The Governor's budget includes funds to improve state office buildings for program use and to take essential preservation actions to maintain the structural integrity of Missouri government facilities. State agencies need modern, well-maintained facilities in order to serve the public effectively. The Fiscal Years 2004-2005 budget includes:

- \$96.7 million for projects at Missouri National Guard facilities located throughout the state, including \$57.8 million for a specially designed aviation hanger and maintenance facility at the Springfield airbase. This facility will provide aircraft maintenance for the central region of the United States.
- \$50 million to acquire, develop, improve, and repair Department of Conservation facilities.
- \$27.9 million for maintenance and repairs at Department of Corrections facilities located throughout the state.
- \$27.7 million for maintenance and repairs at Department of Mental Health facilities statewide.
- \$11 million unprogrammed funds for Fiscal Year 2005 maintenance and repair projects.
- \$3.5 million for statewide facility inventory condition assessments and surveys of all state property.
- \$2.9 million for general repair projects at facilities throughout the state that house youth placed in the custody of the Division of Youth Services.
- \$2.5 million for maintenance and repair projects at Highway Patrol facilities statewide, including \$314,772 for new commercial drivers licensing sites in Hannibal and Carthage.
- \$1.3 million for various maintenance and repair projects at the Missouri State Fairgrounds.

TABLE 1**FISCAL YEARS 2004 - 2005 CAPITAL IMPROVEMENTS SUMMARY**

	General Revenue	RATF and FRMF*	Federal	Other Funds	Total
Maintenance and Repair					
First Year of Biennium	\$ 0	\$ 38,642,963	\$ 4,021,028	\$ 14,852,217	\$ 57,516,208
Second Year of Biennium	0	49,373,701	3,300,000	13,221,258	65,894,959
Subtotal	0	88,016,664	7,321,028	28,073,475	123,411,167
Construction					
First Year of Biennium	4,416,535	0	75,854,169	29,683,204	109,953,908
Second Year of Biennium	1,260,753	0	38,925,484	30,976,463	71,162,700
Subtotal	5,677,288	0	114,779,653	60,659,667	181,116,608
Total for First Year of Biennium	4,416,535	38,642,963	79,875,197	44,535,421	167,470,116
Total for Second Year of Biennium	1,260,753	49,373,701	42,225,484	44,197,721	137,057,659
Grand Total	\$ 5,677,288	\$ 88,016,664	\$ 122,100,681	\$ 88,733,142	\$ 304,527,775

*Revolving Administrative Trust Fund and Facilities Maintenance Reserve Fund. These expenditures will be funded through a general revenue transfer.

TABLE 2

FISCAL YEARS 2004 - 2005 CAPITAL IMPROVEMENTS SUMMARY

MAINTENANCE AND REPAIR

	Revolving Administrative Trust Fund*	Facilities Maintenance Reserve Fund*	Federal	Other Funds	Total
Elementary and Secondary Education	\$ 0	\$ 2,803,862	\$ 0	\$ 1,149,113	\$ 3,952,975
Revenue	0	0	0	136,341	136,341
Office of Administration and Statewide	5,760,384	14,972,254	400,000	2,386,339	23,518,977
Agriculture	0	1,309,806	0	0	1,309,806
Natural Resources	0	2,316,235	0	12,629,294	14,945,529
Economic Development	0	301,304	0	0	301,304
Labor and Industrial Relations	0	0	0	1,178,311	1,178,311
Public Safety	0	3,242,180	6,921,028	9,372,344	19,535,552
Corrections	0	26,701,354	0	1,221,733	27,923,087
Mental Health	0	27,689,613	0	0	27,689,613
Social Services	<u>0</u>	<u>2,919,672</u>	<u>0</u>	<u>0</u>	<u>2,919,672</u>
TOTAL	\$ 5,760,384	\$ 82,256,280	\$ 7,321,028	\$ 28,073,475	\$ 123,411,167

*These expenditures will be funded through a general revenue transfer.

TABLE 3

FISCAL YEARS 2004 - 2005 CAPITAL IMPROVEMENTS SUMMARY

CONSTRUCTION

	<u>General Revenue</u>	<u>Federal</u>	<u>Other Funds</u>	<u>Total</u>
Elementary and Secondary Education	\$ 0	\$ 0	\$ 635,734	\$ 635,734
Office of Administration and Statewide	270,000	0	5,172,702	5,442,702
Natural Resources	0	0	2,774,000	2,774,000
Conservation	0	0	50,000,000	50,000,000
Public Safety	2,049,768	84,561,999	2,077,231	88,688,998
Corrections	<u>3,357,520</u>	<u>30,217,654</u>	<u>0</u>	<u>33,575,174</u>
TOTAL	\$ 5,677,288	\$ 114,779,653	\$ 60,659,667	\$ 181,116,608